

Chillicothe Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended September 30, 2003





**Auditor of State  
Betty Montgomery**

Board of Directors  
Chillicothe Metropolitan Housing Authority  
178 W. 4th Street  
Chillicothe, Ohio 45601-3219

We have reviewed the Independent Auditor's Report of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2002 to September 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 6, 2004

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CHILLCOOTHE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

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## Independent Auditors' Report

Board of Directors  
Chillicothe Metropolitan Housing  
Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying basic financial statements of Chillicothe Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Chillicothe Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Chillicothe Metropolitan Housing Authority, Ohio, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of October 1, 2002. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 26, 2004, on my consideration of Chillicothe Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

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

A handwritten signature in black ink, reading "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

March 26, 2004



CHILLICOTHE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2003

UNAUDITED

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement (beginning on page 11).

**FINANCIAL HIGHLIGHTS**

- The Authority's net assets increased by \$38 thousand (or 1.0 %) during 2003, including Results from Operations of \$38 thousand. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$11,443 thousand and \$11,481 thousand for 2002 and 2003 respectively.
- Revenues increased by \$269 thousand (or 7.0%) during 2003, and were \$3,938 million and \$4,207 million for 2002 and 2003 respectively.
- The total expenses of all Authority programs increased by \$184 thousand (or 5%). Total expenses were \$3,980 million and \$4,170 million for 2002 and 2003 respectively.

**USING THIS ANNUAL REPORT**

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

<p style="text-align: center;"><b>MD&amp;A</b> ~Management's Discussion and Analysis~</p>
<p style="text-align: center;"><b>Basic Financial Statement</b> ~Authority Financial Statements – pgs 11-13~</p>
<p style="text-align: center;"><b>Other Required Supplementary Information</b> ~Required Supplementary Information pgs 24-29~ (other than the MD&amp;A)</p>

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2003

UNAUDITED

**Authority Financial Statements**

The Authority financial statements (see pgs 11-13) 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 know as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

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

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

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

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

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2003

UNAUDITED

**Fund Financial Statements**

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

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

**The Authority's Programs**

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

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

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

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

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

## AUTHORITY 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

Description	2003 (in thousands of dollars)	2002 (in thousand of dollars)
Current and Other Assets	\$1,038	\$1,200
Capital Assets	11,011	11,040
Total Assets	12,049	12,240
Current Liabilities	522	649
Long-Term Liabilities	46	147
Total Liabilities	568	796
Net Assets:		
Invested in Capital Assets, Net of Related Debt	11,011	11,065
Restricted	-0-	-0-
Unrestricted	470	379
Total Net Assets	\$11,481	\$11,444

For more detailed information see page 11 for the Statement of Net Assets.

### Major Factors Affecting the Statement of Net Assets

During 2003, current and other assets were decreased by \$162 thousand, and current liabilities were decreased by \$127 thousand. The current and other assets, primarily cash and investments, decreased because of the decrease in the current liabilities.

Capital assets also changed, decreasing from \$11,040 million to \$11,011 million. The \$29 thousand decrease may be contributed primarily to a combination of net acquisitions (\$791 thousand), less current year depreciation and amortization (\$820 thousand). For more detail see "Capital Assets" below.

Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2**  
**CHANGE OF UNRESTRICTED NET ASSETS**

Description	Thousands of Dollars
Unrestricted Net Assets 09/30/02	<b>\$379</b>
Results of Operations	<b>38</b>
Adjustments:	
Depreciation (1)	<b>820</b>
Adjusted Results from Operations	<b>858</b>
Capital Expenditures (2)	<b>(767)</b>
Prior Year Adjustments	<b>0</b>
Unrestricted Net Assets 09/30/03	<b>\$470</b>

- (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. The Authority is engaged only Business-Type Activities.

<b>Description</b>	<b>2003 (thousands of dollars)</b>	<b>2002 (thousands of dollars)</b>
<b>Revenue:</b>		
<b>Tenant Revenue-Rents and Other</b>	<b>\$ 559</b>	<b>\$ 528</b>
<b>Operating Grant Revenue</b>	<b>3,010</b>	<b>2,643</b>
<b>Capital Grant Revenue</b>	<b>629</b>	<b>748</b>
<b>Investment Income</b>	<b>4</b>	<b>10</b>
<b>Other Revenues</b>	<b>6</b>	<b>10</b>
<b>Total Revenue</b>	<b>4,208</b>	<b>3,939</b>
<b>Expenses:</b>		
<b>Administrative</b>	<b>545</b>	<b>816</b>
<b>Tenant Services</b>	<b>115</b>	<b>71</b>
<b>Utilities</b>	<b>337</b>	<b>307</b>
<b>Maintenance</b>	<b>576</b>	<b>543</b>
<b>Protective Services</b>	<b>45</b>	<b>47</b>
<b>General &amp; Bad Debt</b>	<b>151</b>	<b>81</b>
<b>Housing Assistance Payments</b>	<b>1,581</b>	<b>1,319</b>
<b>Depreciation</b>	<b>820</b>	<b>802</b>
<b>Total Expense</b>	<b>4,170</b>	<b>3,986</b>
<b>Net Increase</b>	<b>\$ 38</b>	<b>\$ (47)</b>

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

Tenant revenue increased during 2003 in comparison to 2002. Operating Subsidies, Grant increased while Capital Grants decreased. The increase in Operating was due to lower tenant rents, inflation factor and utilities. The decrease in Capital Grants was due to the completion of Development 05, Comp Grants, ROSS Grant, EDSS Grant and one Capital Fund Grant.

Most expenses increased moderately due to inflation, except for Administrative. Tenant Services and Housing Assistance Payments. Administrative costs decreased due to a significant decrease in accrued Compensated Absences. Tenant Services increased significantly because of the discontinuation of the Drug Elimination Program. Housing Assistance Payments increased due to a higher level of leasing activities within the Authority's Housing Choice Voucher Program. The Authority rented units to more low income households, which increased Housing Assistance Payments as well as the associated HUD revenue.

## CAPITAL ASSETS

### Capital Assets

As of year end, the Authority had \$11,011 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$28 thousand or 1% from the end of last year.

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

Description	2003 (thousands of dollars)	2002 (thousands of dollars)
<b>Land and land rights</b>	<b>\$ 1,296</b>	<b>\$ 859</b>
<b>Buildings</b>	<b>18,777</b>	<b>18,462</b>
<b>Equipment-Administrative</b>	<b>487</b>	<b>473</b>
<b>Equipment-Dwelling</b>	<b>223</b>	<b>221</b>
<b>Accumulated Depreciation</b>	<b>(9,772)</b>	<b>(8,976)</b>
<b>Total</b>	<b>\$11,011</b>	<b>\$11,039</b>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 21 of the notes.

**TABLE 5**  
**CHANGE IN CAPITAL ASSETS**  
**(IN MILLIONS)**

Description	Business Type Activities
Beginning Balance	\$11,039
Additions, Net Retirements	768
Depreciation and Amortization, Net of Retirements	(796)
Ending Balance	\$11,011

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

## **ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding 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, OH 45601.



CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
Statement of Net Assets  
Proprietary Fund Type - Enterprise Fund  
September 30, 2003

**ASSETS**

Current assets	
Cash and cash equivalents	\$413,033
Receivables, net	188,427
Inventories, net	41,745
Prepaid expenses and other assets	43,843
Interprogram due from	219,180
Total current assets	906,228
Noncurrent assets	
Restricted cash and cash equivalents	131,725
Capital assets:	
Land	1,295,748
Building and equipment	19,487,373
Less accumulated depreciation	(9,772,146)
Capital assets, net	11,010,975
Total noncurrent assets	11,142,700
Total assets	\$12,048,928

**LIABILITIES**

Current liabilities	
Accounts payable	\$56,604
Accrued liabilities	76,278
Intergovernmental payables	42,108
Tenant security deposits	42,519
Other current liabilities	85,417
Interprogram due to	219,180
Total current liabilities	522,106
Noncurrent liabilities	
Accrued compensated absences non-current	45,609
Total noncurrent liabilities	45,609
Total liabilities	567,715

**NET ASSETS**

Invested in capital assets, net of related debt	11,010,975
Unrestricted net assets	470,238
Total net assets	11,481,213
Total Liabilities and Net Assets	\$12,048,928

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2003

<b><u>OPERATING REVENUES</u></b>	
Tenant Revenue	\$558,419
Government operating grants	3,010,225
Other revenue	5,442
Total operating revenues	<u>3,574,086</u>
<b><u>OPERATING EXPENSES</u></b>	
Administrative	544,984
Tenant services	114,524
Utilities	337,081
Maintenance	576,074
Protective services	45,379
General	150,624
Housing assistance payment	1,581,171
Depreciation	819,832
Total operating expenses	<u>4,169,669</u>
Operating income (loss)	<u>(595,583)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>	
Interest and investment revenue	4,077
Government capital improvement grants	629,333
Total nonoperating revenues (expenses)	<u>633,410</u>
Change in net assets	37,827
Total net assets – beginning	<u>11,443,386</u>
Total net assets – ending	<u><u>\$11,481,213</u></u>

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2003

**Cash Flows from Operating Activities:**

Cash received from tenants	\$564,304
Cash received from grantor	3,527,875
Cash paid to suppliers and employees	(1,832,221)
Cash Paid for Housing Assistance	(1,581,171)
Net cash provided by operating activities	678,787

**Cash Flows from Capital Activities:**

Property and equipment purchased	(791,475)
Net cash used for Capital Activities	(791,475)

Net Increase (Decrease) in Cash	(112,688)
Cash and cash equivalents - Beginning of Year	657,446
Cash and cash equivalents - End of Year	\$544,758

**Reconciliation of Net Income to Cash Provided by Operating Activities:**

Net income	\$37,827
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**Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:**

Depreciation	819,832
(Increase) Decrease in accounts receivable	59,199
(Increase) Decrease in prepaid expenses	(3,579)
(Increase) Decrease in inventory	1,914
Increase (Decrease) in current liabilities	(52,423)
Increase (Decrease) in deferred revenue	(82,056)
Increase (Decrease) in noncurrent liabilities	(101,927)
Net cash provided by operating activities	\$678,787

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

**NOTE 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.

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

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

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

**Reporting Entity**

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

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

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

**Basis of Presentation**

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes net assets, and a statement of cash flows.

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**Measurement Focus/Basis of Accounting**

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

**Description of programs**

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Public Housing Drug Elimination Program**

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

**E. Economic Development and Supportive Services Program**

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

**F. Resident Opportunity and Self Sufficiency**

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

**G. Development**

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2003 totaled \$4,077.

**Fixed Assets**

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

**Net Assets**

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Operating Revenues and Expenses**

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

**Capital Contributions**

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

**Cash and Cash Equivalents**

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

**Compensated Absences**

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

**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.



CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: CASH AND INVESTMENTS**

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

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

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$457,976	\$268,275	\$189,701	\$-0-	\$413,033
Restricted Cash and Cash Equivalents	131,725	131,725	-0-	-0-	131,725
<b>Total Deposits</b>	<b>\$589,701</b>	<b>\$400,000</b>	<b>\$189,701</b>	<b>\$-0-</b>	<b>\$544,758</b>

The carrying amount above includes \$100 petty cash.

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

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2003  
 (CONTINUED)

**NOTE 2: CASH AND INVESTMENTS** (Continued)

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

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

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

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

The PHA’s nonnegotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes.

**NOTE 3: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending September 30, 2003 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

**NOTE 4: FIXED ASSETS**

The following is a summary:

Land	\$1,295,748
Buildings	10,615,836
Furniture, Machinery and Equipment	709,951
Leasehold Improvement	8,161,586
Total Fixed Assets	20,783,121
Accumulated Depreciation	(9,772,146)
Net Fixed Assets	\$11,010,975

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

**NOTE 4: FIXED ASSETS** (Continued)

The following is a summary of changes:

	<b>Balance</b>			<b>Balance</b>
	<b>10/01/02</b>	<b>Additions</b>	<b>Deletion</b>	<b>09/30/03</b>
Land	\$858,782	\$436,966	\$-0-	\$1,295,748
Buildings	10,615,836	-0-	-0-	10,615,836
Furnt, Mach. and Equip.	694,127	39,345	23,521	709,951
Leasehold Improvement	7,846,422	315,164	-0-	8,161,586
Total Fixed Assets	<u>\$20,015,167</u>	<u>\$791,475</u>	<u>\$23,521</u>	<u>\$20,783,121</u>

The depreciation expense for the year ended September 30, 2003 was \$819,832.

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

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for AUTHORITY was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority required contributions to PERS for the years ended September 30, 2003, 2002, and 2001 \$76,967, \$73,264 and \$63,017 respectively. Ninety-Two percent has been contributed for 2003. All required contributions for the two previous years have been paid.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

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

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS.

**NOTE 7: CHANGE IN ACCOUNTING PRINCIPLES**

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

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$8,288,636	\$3,154,750	\$0	\$0	\$11,443,386
Reclassification- GASB 34	(8,288,636)	(3,154,750)	11,039,332	404,054	0
Restated Beginning Balance	0	0	11,039,332	404,054	11,443,386
Fixed Assets Addition	0	0	791,475	0	791,475
Unrestricted Assets used for Fixed Assets				(162,142)	(162,142)
Depreciation Expense	0	0	(819,832)	0	(819,832)
Current Year Income	0	0	0	228,326	228,326
Ending Net Assets	\$0	\$0	\$11,010,975	\$470,238	\$11,481,213

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003  
(CONTINUED)

**NOTE 8: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

Chillicothe Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
September 30, 2003

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	387,729	0	0	0	0	0	25,304	0	413,033
113	Cash - Other Restricted	23,106	0	0	0	0	0	62,311	0	85,417
114	Cash - Tenant Security Deposits	46,308	0	0	0	0	0	0	0	46,308
100	Total Cash	457,143	0	0	0	0	0	87,615	0	544,758
122	Accounts Receivable - HUD Other Projects	0	41,419	33,772	0	0	22,001	69,117	19,231	185,540
126	Accounts Receivable - Tenants - Dwelling Rents	4,850	0	0	0	0	0	0	0	4,850
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(2,425)	0	0	0	0	0	0	0	(2,425)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0
128	Fraud Recovery	0	0	0	0	0	0	562	0	562
128.1	Allowance for Doubtful Accounts - Fraud	0	0	0	0	0	0	(100)	0	(100)
120	Total Receivables, net of allowances for doubtful accounts	2,425	41,419	33,772	0	0	22,001	69,579	19,231	188,427
142	Prepaid Expenses and Other Assets	43,843	0	0	0	0	0	0	0	43,843
143	Inventories	42,245	0	0	0	0	0	0	0	42,245
143.1	Allowance for Obsolete Inventories	(500)	0	0	0	0	0	0	0	(500)
144	Interprogram Due From	219,180	0	0	0	0	0	0	0	219,180
150	Total Current Assets	764,336	41,419	33,772	0	0	22,001	157,194	19,231	1,037,953
161	Land	735,937	226,067	0	0	0	0	162,143	171,601	1,295,748
168	Infrastructure	0	0	0	0	0	0	0	0	0
162	Buildings	9,506,130	1,109,706	0	0	0	0	0	0	10,615,836
163	Furniture, Equipment & Machinery - Dwellings	189,419	8,707	0	0	0	0	0	24,992	223,118
164	Furniture, Equipment & Machinery - Administration	443,291	0	0	0	10,892	0	11,797	20,853	486,833
165	Leasehold Improvements	7,364,660	402,665	0	0	0	50,519	0	343,742	8,161,586
166	Accumulated Depreciation	(9,591,470)	(137,327)	0	0	(8,793)	(1,684)	(11,556)	(21,316)	(9,772,146)
160	Total Fixed Assets, Net of Accumulated Depreciation	8,647,967	1,609,818	0	0	2,099	48,835	162,384	539,872	11,010,975

Chillicothe Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
September 30, 2003

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
180	Total Non-Current Assets	8,647,967	1,609,818	0	0	2,099	48,835	162,384	539,872	11,010,975
190	Total Assets	9,412,303	1,651,237	33,772	0	2,099	70,836	319,578	559,103	12,048,928
312	Accounts Payable <= 90 Days	56,604	0	0	0	0	0	0	0	56,604
321	Accrued Wage/Payroll Taxes Payable	19,345	0	0	0	0	0	0	0	19,345
322	Accrued Compensated Absences - Current Portion	50,602	0	0	0	0	0	6,331	0	56,933
331	Accounts Payable - HUD PHA Programs	0	0	0	0	0	0	281	0	281
333	Accounts Payable - Other Government	41,827	0	0	0	0	0	0	0	41,827
341	Tenant Security Deposits	42,519	0	0	0	0	0	0	0	42,519
345	Other Current Liabilities	23,106	0	0	0	0	0	62,311	0	85,417
347	Interprogram Due To	0	41,419	33,772	0	0	22,001	102,757	19,231	219,180
310	Total Current Liabilities	234,003	41,419	33,772	0	0	22,001	171,680	19,231	522,106
354	Accrued Compensated Absences - Non Current	39,835	0	0	0	0	0	5,774	0	45,609
350	Total Noncurrent Liabilities	39,835	0	0	0	0	0	5,774	0	45,609
300	Total Liabilities	273,838	41,419	33,772	0	0	22,001	177,454	19,231	567,715
508.1	Invested in Capital Assets, Net of Related Debt	8,647,967	1,609,818	0	0	2,099	48,835	162,384	539,872	11,010,975
511	Total Reserved Fund Balance	0	0	0	0	0	0	0	0	0
511.1	Restricted Net Assets	0	0	0	0	0	0	0	0	0
512.1	Unrestricted Net Assets	490,498	0	0	0	0	0	(20,260)	0	470,238
513	Total Equity/Net Assets	9,138,465	1,609,818	0	0	2,099	48,835	142,124	539,872	11,481,213
600	Total Liabilities and Equity/Net Assets	9,412,303	1,651,237	33,772	0	2,099	70,836	319,578	559,103	12,048,928

Chillicothe Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
September 30, 2003

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	545,101	0	0	0	0	0	0	0	545,101
704	Tenant Revenue - Other	13,318	0	0	0	0	0	0	0	13,318
705	Total Tenant Revenue	558,419	0	0	0	0	0	0	0	558,419
706	HUD PHA Operating Grants	968,941	9,505	78,705	0	0	63,181	1,813,360	76,533	3,010,225
706.1	Capital Grants	82,056	38,067	0	0	0	50,519	0	458,691	629,333
711	Investment Income - Unrestricted	3,383	0	0	0	0	0	694	0	4,077
714	Fraud Recovery	0	0	0	0	0	0	1,261	0	1,261
715	Other Revenue	4,181	0	0	0	0	0	0	0	4,181
700	Total Revenue	1,616,980	47,572	78,705	0	0	113,700	1,815,315	535,224	4,207,496
911	Administrative Salaries	206,725	0	0	0	0	0	84,207	0	290,932
912	Auditing Fees	8,105	0	0	0	0	0	2,181	0	10,286
913	Outside Management Fees	0	0	0	0	0	6,838	8,071	9,000	23,909
914	Compensated Absences	(85,990)	0	0	0	0	0	(4,975)	0	(90,965)
915	Employee Benefit Contributions - Administrative	107,961	0	0	0	0	0	42,219	0	150,180
916	Other Operating - Administrative	85,680	9,505	2,500	0	0	10,162	52,597	198	160,642
921	Tenant Services - Salaries	14,428	0	0	0	0	0	0	0	14,428
923	Employee Benefit Contributions - Tenant Services	8,305	0	0	0	0	0	0	0	8,305
924	Tenant Services - Other	19,085	0	31,261	0	0	41,445	0	0	91,791
931	Water	181,641	0	0	0	0	0	0	0	181,641
932	Electricity	137,726	0	0	0	0	0	0	0	137,726
933	Gas	17,714	0	0	0	0	0	0	0	17,714
941	Ordinary Maintenance and Operations - Labor	168,991	0	0	0	0	0	0	66,900	235,891
942	Ordinary Maintenance and Operations - Materials and Other	68,920	0	0	0	0	506	0	0	69,426
943	Ordinary Maintenance and Operations - Contract Costs	175,175	0	0	0	0	4,230	0	0	179,405
945	Employee Benefit Contributions - Ordinary Maintenance	91,352	0	0	0	0	0	0	0	91,352



Chillicothe Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
September 30, 2003

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
952	Protective Services - Other Contract Costs	0	0	43,508	0	0	0	0	435	43,943
953	Protective Services - Other	0	0	1,436	0	0	0	0	0	1,436
961	Insurance Premiums	64,918	0	0	0	0	0	0	0	64,918
962	Other General Expenses	11,673	0	0	0	0	0	0	0	11,673
963	Payments in Lieu of Taxes	21,132	0	0	0	0	0	0	0	21,132
964	Bad Debt - Tenant Rents	13,279	0	0	0	0	0	0	0	13,279
966	Bad Debt - Other	40,022	0	0	0	0	0	(400)	0	39,622
969	Total Operating Expenses	1,356,842	9,505	78,705	0	0	63,181	183,900	76,533	1,768,666
970	Excess Operating Revenue over Operating Expenses	260,138	38,067	0	0	0	50,519	1,631,415	458,691	2,438,830
973	Housing Assistance Payments	0	0	0	0	0	0	1,581,171	0	1,581,171
974	Depreciation Expense	741,847	55,269	0	0	3,517	1,684	484	17,031	819,832
900	Total Expenses	2,098,689	64,774	78,705	0	3,517	64,865	1,765,555	93,564	4,169,669
1010	Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	0	0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(481,709)	(17,202)	0	0	(3,517)	48,835	49,760	441,660	37,827
1103	Beginning Equity	6,856,064	3,408,388	0	329,228	5,616	0	92,364	751,726	11,443,386
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	2,764,110	(1,781,368)	0	(329,228)	0	0	0	(653,514)	0
	Ending Equity	9,138,465	1,609,818	0	0	2,099	48,835	142,124	539,872	11,481,213

Chillicothe Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
September 30, 2003

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	0	0	0	0	0	0	0	0	0
1113	Maximum Annual Contributions Commitment (Per ACC)	0	0	0	0	0	0	1,761,269	0	1,761,269
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	0	0	0	0	0	0
1115	Contingency Reserve, ACC Program Reserve	0	0	0	0	0	0	599,193	0	599,193
1116	Total Annual Contributions Available	0	0	0	0	0	0	2,360,462	0	2,360,462
1120	Unit Months Available	4,620	0	0	0	0	0	4,500	0	9,120
1121	Number of Unit Months Leased	4,529	0	0	0	0	0	4,500	0	9,029

Chillicothe Metropolitan Housing Authority  
 Schedule of Federal Award Expenditures  
 For the Year Ended September 30, 2003

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$1,050,997
Development Program	14.850b	47,572
Drug Elimination Program	14.854	78,705
Resident Opportunity and Supportive Services	14.870	113,700
Housing Choice Voucher	14.871	1,813,360
Public Housing Capital Fund Program	14.872	<u>535,224</u>
Total Expenditure of Federal Award		<u><u>\$3,639,558</u></u>



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

Board of Directors  
Chillicothe Metropolitan Housing  
Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the general purpose financial statements of the Chillicothe Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2003, and have issued my report thereon dated March 26, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Chillicothe Metropolitan Housing Authority, Ohio's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Chillicothe Metropolitan Housing Authority, Ohio, in a separate letter dated March 26, 2004.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Chillicothe Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Chillicothe Metropolitan Housing

Authority, Ohio, in a separate letter dated March 26, 2004.

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

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

March 26, 2004



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

Board of Directors  
Chillicothe Metropolitan Housing  
Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

I have audited the compliance of the Chillicothe Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. Chillicothe Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chillicothe Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Chillicothe Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

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

In my opinion, except for the noncompliance described in the preceding paragraph, Chillicothe Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

### **Internal Control Over Compliance**

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

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

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



Salvatore Consiglio, CPA, Inc.

March 26, 2004

Chillicothe Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 September 30, 2003

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no findings or questioned costs for the year ended September 30, 2003.

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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FINDING NUMBER	FED-2003-1
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**Enhanced Vouchers**

**U.S. Department of HUD**

**Housing Choice Voucher Program (CFDA # 14.871)**

HUD notice PIH 2001-41 provides specific policy and processing guidance for dealing with Section 8 Tenant Based Assistance for Housing Conversion Actions. Part II C (1) (c) of the notice specifically states:



Chillicothe Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
September 30, 2003  
(Continued)

“The PHA issues the eligible family an enhanced voucher based on the PHA subsidy standards, not on the actual size of the unit the family is occupying. However, if a family wishes to stay in the project but is living in an oversized unit, the enhanced voucher must move to an appropriate size unit in the project if one is available... If there is no appropriate size unit available, the family must make a good faith attempt to find a unit outside the project... The PHA must advise the family that the enhanced subsidy based on the oversized unit’s rent will only be paid for one year... After the initial year of assistance in the oversize unit, the PHA will apply the normally applicable payment standard in determining the family housing assistance payment. If the family wishes to remain in the unit and can do so under the regular program rules, the family will have to pay the additional cost for the oversized unit out-of-pocket.”

The result of audit procedures over the enhanced voucher families at Woodland Heights Apartments revealed that 5 families were over housed after the initial year and the PHA paid housing assistance at the higher rate rather than its normal payment standard. This resulted in the PHA overpaying housing assistance of \$20,572 for the 5 families. This amount is reported as a questioned cost.

**Recommendation:**

The PHA must follow the above notice. Also, the PHA should contact HUD to discuss how it should handle the 5 families that are over housed and the \$20,572 of questioned cost.

**PHA Response:**

The PHA did contact HUD regarding the over housed families when the initial enhanced vouchers were issued. At that time, the PHA was instructed to leave the over housed persons in the project and were lead to believe that there would be a change in the regulations.

The PHA will follow the auditor recommendation and will contact HUD regarding the 5 families and the overpayment of HAP for assistance and instruction.

**Federal Questioned Costs:**

Housing Choice Voucher Program \$20,572.

Chillicothe Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
September 30, 2003

The audit report for the fiscal year ending September 30, 2002 contained not audit finding.



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**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  
JULY 20, 2004**