

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

Ross County, Ohio

Financial Statements

For the Year Ended September 30, 2014



Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

213 South Paint Street, Chillicothe, Ohio 45601-3828
Phone: (740) 702-2600 • Fax: (740) 702-2610 • Audit Fax: (740) 702-2612
email@wssrcpa.com • <http://www.wssrcpa.com>



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period October 1, 2013 through September 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 23, 2015

This page intentionally left blank.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
Table of Contents

*For the
Fiscal*

Title	<i>Year Ended September 30, 2014</i>	Page
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Financial Statements:		
Statement of Net Position.....		10
Statement of Revenues, Expenses and Changes in Net Position.....		11
Statement of Cash Flows		12
Notes to the Financial Statements		13
Supplementary Information:		
Schedule of Expenditures of Federal Awards		24
Financial Data Schedule Submitted to REAC		25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>		30
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133		32
Schedule of Findings and Questioned Costs, OMB Circular A-133 Section .505		34

This page intentionally left blank.



Whited Seigneur Sams & Rahe, LLP

Phone: (740) 702-2600
Fax: (740) 702-2610
Audit Fax: (740) 702-2612

CERTIFIED PUBLIC ACCOUNTANTS

213 South Paint Street, Chillicothe, OH 45601

email@wssrcpa.com
http://www.wssrcpa.com

Jerry B. Whited, CPA
Donald R. Seigneur, CPA

John R. Sams, CPA
Barry L. Rahe, CPA

Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

Jay D. Seigneur, CPA
Kathy J. Lambert, CPA

INDEPENDENT AUDITOR'S REPORT

March 11, 2015

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Chillicothe Metropolitan Housing Authority (the Authority), Ross County, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of September 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementing financial data schedules are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of the Inspector General and are not a required part of the financial statements. The schedule of expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is presented for purpose of and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and supplemental financial data schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental financial data schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

Whited Seigneur Sams & Rahe

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

This Management's Discussion and Analysis (MD&A) for the Chillicothe Metropolitan Housing Authority (Chillicothe MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Chillicothe MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended September 30, 2014, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The Basic Financial Statements included elsewhere in this report are:

the Statement of Net Position,
the Statement of Revenues, Expenses & Changes in Net Position, and
the Statement of Cash Flows.

The **Statement of Net Position** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Chillicothe MHA holds at September 30, 2014, that is, the cash Chillicothe MHA has, the amounts that are owed Chillicothe MHA from others, and the value of the equipment Chillicothe MHA owns. In the other half of the report it shows the liabilities Chillicothe MHA has, that is, what Chillicothe MHA owes others at September 30, 2014; and what Net Position (or what is commonly referred to as Equity) Chillicothe MHA has at September 30, 2014. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net position (or equity) part.

In the statement, the Net Position part is broken out into three broad categories:

Net Investment in Capital Assets,
Restricted Net Position, and
Unrestricted Net Position.

The balance in Net Investment in Capital Assets reflects the value of capital assets, that is assets such as land, buildings, & equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owed on those assets.

The balance in Restricted Net Position reflects the value of assets reported in the top part of the statement that are restricted for use by law or regulation, or when the use of those assets is restricted by constraints placed on the assets by creditors.

The balance in Unrestricted Net Position is what is left over of Net Position after what is classified in the two previously mentioned components of Net Position. It reflects the value of assets available to Chillicothe MHA to use to further its purposes.

The **Statement of Revenues, Expenses & Changes in Net Position** is very similar to and may commonly be referred to as an Income Statement. It is in essence a report showing what Chillicothe MHA earned, that is what its revenues or incomes were, versus what expenses Chillicothe MHA had over the same period. And then it shows how the Net Position (or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Chillicothe MHA had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected Net Position (or equity). The bottom line of the report, the Ending Total Net Position, is what is referred

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

to in the above discussion of the Statement of Net Position that when added to the liabilities Chillicothe MHA has equals the total assets Chillicothe MHA has.

The **Statement of Cash Flows** is a report that shows how the amount of cash Chillicothe MHA had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in and the cash going out. It helps the reader to understand the sources and uses of cash by Chillicothe MHA during the year to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

Chillicothe MHA's Business Type Funds

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all the programs, or business type funds of Chillicothe MHA. Chillicothe MHA consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Chillicothe MHA's programs include the following:

- the Low Rent Public Housing program,
- the Development Program,
- the Section 8 Housing programs, and
- the Central Office Cost Center.

Low Rent Public Housing program - Chillicothe MHA rents dwelling units it owns to low to moderate-income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with HUD, HUD provides an operating subsidy to Chillicothe MHA to help support the operations of the program. In addition, HUD provides funds for physical improvements to Chillicothe MHA's properties and funds for management improvements through Capital Fund Program grants. HUD also provides Chillicothe MHA Resident Opportunity and Supportive Services (ROSS) grant funding that is used to enable public housing residents to attain self-sufficiency and economic independence.

Development program – Chillicothe MHA's further development of low income housing under the Public Housing program.

Section 8 Housing Choice Voucher program - Chillicothe MHA subsidizes the rents of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

Central Office Cost Center (COCC) – Chillicothe MHA created a COCC to account for non-project/non-program specific costs of the former central administrative and executive management function. Costs of the COCC are supported by management fees, asset management fees, bookkeeping fees, and front line service fees charged the other agency programs.

**CHILlicothe METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Condensed Financial Statements

The following is a condensed **Statement of Net Position** compared to the prior year-end. Chillicothe MHA is engaged only in business type activities.

**Table 1 – Condensed Statement of Net Position Compared to Prior Year
(Values Rounded to Nearest Thousand)**

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 1,804,000	\$ 1,782,000
Capital Assets	<u>7,622,000</u>	<u>8,158,000</u>
Total Assets	<u><u>9,426,000</u></u>	<u><u>9,940,000</u></u>
Current Liabilities	204,000	168,000
Long-Term Liabilities	<u>90,000</u>	<u>97,000</u>
Total Liabilities	<u>294,000</u>	<u>265,000</u>
Net Position:		
Net Investment in Capital Assets	7,622,000	8,158,000
Restricted	135,000	84,000
Unrestricted	<u>1,375,000</u>	<u>1,433,000</u>
Total Net Position	<u>9,132,000</u>	<u>9,675,000</u>
Total Liabilities and Net Position	\$ <u><u>9,426,000</u></u>	\$ <u><u>9,940,000</u></u>

For more detailed information see Statement of Net Position presented elsewhere in this report.

Current Assets increased very slightly, in an amount corresponding to the change in total liabilities. Those changes are essentially the result of timing issues related to the payment of liabilities. Capital Assets were reduced in the period by \$536,000, a reflection that depreciation on assets held by Chillicothe MHA outpaced additions to capital assets in the period.

Of the changes in Net Position, the modest change in the Net Investment in Capital Assets closely corresponds to the change in Capital Assets because that is what that component of Net Position represents. Restricted Net Position increased from the very low level at the end of the prior year, an indication that HUD provided more funding to make rental assistance programs in the Section 8 Housing Choice Voucher program than the agency spent for that purpose. Unrestricted Net Position, the portion of Net Position the agency has to further its purpose, dropped slightly from the prior year but remains at a healthy level.

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

The following is a condensed **Statement of Revenues, Expenses & Changes in Net Position**. Chillicothe MHA is engaged only in business type activities.

**Table 2 – Condensed Statement of Revenues, Expenses & Changes in Net Position
(Values Rounded to Nearest Thousand)**

	<u>2014</u>	<u>2013</u>
<u>Revenues</u>		
Tenant Revenues - Rents & Other	\$ 688,000	\$ 664,000
Operating Subsidies & Grants	4,169,000	4,204,000
Capital Grants	178,000	512,000
Investment Income	1,000	1,000
Other Revenues	50,000	114,000
Total Revenues	<u>5,086,000</u>	<u>5,495,000</u>
<u>Expenses</u>		
Administrative	777,000	824,000
Tenant Services	52,000	60,000
Utilities	351,000	339,000
Maintenance	1,092,000	744,000
Protective Services	1,000	0
General	189,000	178,000
Housing Assistance Payments	2,453,000	2,537,000
Depreciation	714,000	723,000
Total Expenses	<u>5,629,000</u>	<u>5,405,000</u>
Net Increase (Decrease)	\$ <u>(543,000)</u>	\$ <u>90,000</u>

For more detailed information see Statement of Revenues, Expenses and Changes in Net Position presented elsewhere in this report.

Overall revenues decreased by about \$409,000 (or 7%). The primary cause of that was the drop in capital grant revenue, meaning there was less spending on capital improvements made with Capital Fund program funds than in the prior period. The change in tenant revenues was offset by the change in subsidies received. Other revenue dropped by more than 50%. Other revenue was unusually high in the prior period related to timing differences of when expenditures were made and when proceeds were received related to casualty losses.

Overall expenses increased modestly from the prior period, by about \$224,000 (or 4%), but there were notable changes in some categories. There were reductions in administrative and tenant services expenses related to cost savings measures taken by management in those areas. HAP expense decreased as well, in part a reflection of increased spending in the past period to more fully spend funding provided by HUD to make rental assistance payments under the Section 8 Housing Choice Voucher program to that point. A notable increase was in the area of maintenance expense. Heavy snow fall in the period caused increased spending for removal. Costs for pest control have also been high in recent years for the agency as they have been throughout the industry and that trend continued in this period. In addition more of Capital

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Fund Program funds were used to make non-capital extraordinary maintenance expenditures. All of these contributed to the increase in maintenance expense realized in the period.

The following is a condensed **Statement of Changes in Capital Assets** comparing the balance in capital assets at the year-end versus at the end of the prior year.

**Table 3 – Condensed Statement of Changes in Capital Assets
(Values Rounded to Nearest Thousand)**

	<u>2014</u>	<u>2013</u>
Land and Land Rights	\$ 1,301,000	\$ 1,301,000
Buildings & Improvements	24,142,000	23,964,000
Equipment	487,000	499,000
Accumulated Depreciation	(18,308,000)	(17,606,000)
Construction in Progress	0	0
Total	<u>\$ 7,622,000</u>	<u>\$ 8,158,000</u>

The change in capital assets in the period corresponds to the Capital Grant Revenue reported. The overall drop in capital assets is a reflection of the reduction in the amount of Capital Grants revenue discussed above offset by the amount of depreciation expense in the period. Overall, capital additions were outpaced by the increase in depreciation on assets owned by the agency.

Debt

The agency has no debt.

Economic Factors

Chillicothe MHA faces the continuing prospect of HUD providing subsidies used to administer their programs at levels lower than that which the agency is eligible due to Federal budget cuts, made even more difficult with the particularly difficult times currently at the Federal level. Since costs tend to increase, the effect of funding being provided at reduced levels creates an ongoing challenge for management to administer the agency's programs. The reduction in government assistance for administration of programs despite ever increasing costs to administer the programs means Chillicothe MHA continues to be challenged to provide the same level of quality service to their clients within the limits of resources available to do so.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Carleena Beverly, Deputy Director of the Chillicothe Metropolitan Housing Authority, 178 W. Fourth Street, Chillicothe, Ohio, 45601.

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,419,741
Restricted Cash and Cash Equivalents	240,021
Receivables, Net	83,386
Prepaid Expenses and Other Assets	<u>61,469</u>
Total Current Assets	<u>1,804,617</u>
 <u>Non-Current Assets</u>	
Capital Assets:	
Non-Depreciable Capital Assets	1,301,488
Depreciable Capital Assets, Net	<u>6,320,321</u>
Total Non-Current Assets	<u>7,621,809</u>
 TOTAL ASSETS	 <u><u>\$ 9,426,426</u></u>
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 71,530
Accrued Liabilities	23,211
Intergovernmental Payables	62,232
Tenant Security Deposits	<u>47,626</u>
Total Current Liabilities	<u>204,599</u>
 <u>Non-Current Liabilities</u>	
Accrued Compensated Absences Non-Current	32,362
Other Non-Current Liabilities	<u>57,762</u>
Total Non-Current Liabilities	<u>90,124</u>
TOTAL LIABILITIES	<u>294,723</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	7,621,809
Restricted Net Position	134,633
Unrestricted Net Position	<u>1,375,261</u>
TOTAL NET POSITION	<u>9,131,703</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 9,426,426</u></u>

See accompanying notes to the basic financial statements.

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

<hr style="border: 1px solid black;"/>	
<u>Operating Revenues</u>	
Tenant Revenue	\$ 688,051
Government Operating Grants	4,168,947
Other Revenue	50,151
Total Operating Revenues	<u>4,907,149</u>
<u>Operating Expenses</u>	
Administrative	776,279
Tenant Services	52,177
Utilities	350,926
Maintenance	1,092,279
Protective Services	1,164
General	189,209
Housing Assistance Payment	2,452,878
Depreciation	714,269
Total Operating Expenses	<u>5,629,181</u>
Operating Income (Loss)	<u>(722,032)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	834
Total Non-Operating Revenues (Expenses)	<u>834</u>
Income (Loss) Before Contributions	(721,198)
Capital Grants	177,791
Change in Net Position	(543,407)
Total Net Position - Beginning of Year	<u>9,675,110</u>
Total Net Position - End of Year	<u><u>\$ 9,131,703</u></u>

See accompanying notes to the basic financial statements.

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

<u>Cash Flows from Operating Activities</u>	
Cash from HUD and Other Governments	\$ 4,200,661
Cash from Tenants	684,714
Cash from Other Sources	50,151
Cash Paid for HAPs	(2,452,878)
Cash Paid for Administration	(777,240)
Cash Paid for Other Operating	(1,657,485)
Net Cash Provided (Used) by Operating Activities	47,923
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(177,793)
Capital Grants Received	177,791
Net Cash Provided (Used) by Capital and Related Financing Activities	(2)
<u>Cash Flows from Investing Activities</u>	
Investment Income	834
Net Cash Provided by Investing Activities	834
Net Increase in Cash and Cash Equivalents	48,755
Cash and Cash Equivalents - Beginning of Year	1,611,007
Cash and Cash Equivalents - End of Year	\$ 1,659,762
<u>Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating Income (Loss)	\$ (722,032)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	714,269
(Increase) Decrease in Accounts Receivable	27,810
(Increase) Decrease in Inventory	1,746
(Increase) Decrease in Prepaid Expenses and Other Assets	(3,765)
Increase (Decrease) in Accounts Payable	36,490
Increase (Decrease) in Accrued Wages and Payroll Taxes	83
Increase (Decrease) in Tenant Security Deposits	225
Increase (Decrease) in Other Liabilities	(6,903)
Net Cash Provided by Operating Activities	\$ 47,923

See accompanying notes to the basic financial statements.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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

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 financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 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.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

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

Reporting Entity (Continued)

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 financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses, and Changes in Net Position, 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:

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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

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

Description of Programs

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

Public Housing Program

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

Capital Fund Program

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

Development

Grant money received from HUD for further purchases or development of low-income housing.

Housing Choice Voucher Program

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

Resident Opportunity and Supportive Services

A grant funded by HUD that is intended to enable public housing residents to obtain self-sufficiency and economic independence and move from welfare to work.

Central Office Cost Center (COCC)

The Authority owns and operates 387 dwelling rental units and established a COCC to account for non-project specific costs. These costs are funded from management fees, asset management fees, bookkeeping fees, and front-line service fees.

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.

Restricted Net Assets

Certain assets may be classified as restricted assets on the Statement of Net Position, because their use is restricted by contracts or agreements with outside third parties and lending institutions, or laws and regulations of other governments.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

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

Tenant 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 doubtful accounts was \$14,300 for 2014.

Other Assets

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2014, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase, and expense is reported in the year in which the services are consumed.

Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventories are stated at the weighted average cost and use the first-in, first-out (FIFO) method.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expense when used.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Furniture, Equipment, and Machinery	3-7 years
Leasehold Improvements	15 years

Due From/To Other Programs

The Authority will make cash transfers between its various programs as outlined in the federal regulations. On the basic financial statements, inter-program receivables and payables listed on the FDS are eliminated.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. 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. The Agency's policy calls for no payments to be made at termination for unused sick leave.

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position is recorded as restricted when there are limitations imposed on the use by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and 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 Grants

This represents funding made available by HUD that is used to make capital improvements to federally aided projects under an annual contribution contract.

Budgetary Accounting

The Authority adopts annual operating budgets for all its HUD funded programs. The budgets for its programs are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. The Board approves program budgets. Program budgets are submitted to HUD when required.

Accounting and Reporting for Non-Exchange Transactions

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

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

Accounting and Reporting for Non-Exchange Transactions (Continued)

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after September 30, 2000 as revenues and the related depreciation thereon as expenses in the accompanying Combined Statement of Revenue and Expenses.

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: **DEPOSITS AND INVESTMENTS**

Deposits

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

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

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

At fiscal year-end September 30, 2014, the carrying amount of the Authority's deposits totaled \$1,659,762 (including petty cash of \$100) and its bank balance was \$1,741,077. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk*

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)**

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

Disclosure, as of September 30, 2014, a total of \$1,237,213 was exposed to custodial risk as discussed below, while \$503,864 was covered by Federal Depository Insurance Corporation.

Deposits (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve banks or at member banks of the Federal Reserve system, in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at the Federal Reserve in the name of the Authority.

Investments

The Authority had no investments at September 30, 2014.

NOTE 3: **RESTRICTED CASH AND INVESTMENT**

Restricted cash balance as of September 30, 2014 of \$240,021 represents cash on hand for the following:

Tenant Security Deposit	\$ 47,626
Cash on Hand Advance from HUD to be used for Tenants' Housing Assistance Payments	134,633
FSS Escrow Held for Tenants	<u>57,762</u>
Total Restricted Cash	<u>\$ 240,021</u>

NOTE 4: **RISK MANAGEMENT**

The Authority is covers for property damage, general liability, automobile liability, law enforcement liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association (SHARP). SHARP is an insurance risk pool comprised of 39 Ohio housing authorities, of which the Authority is a member. SHARP is a member of the Public Entity Risk Consortium (PERC), a self-insurance pool owned by its members. PERC provides SHARP specific excess coverage above its net retained limits. Deductibles and coverage limits are summarized below:

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

NOTE 4: **RISK MANAGEMENT** (Continued)

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property		\$ 52,306,800
Automobile Physical Damage	500	per occurrence
Boiler and Machinery	1,000	100,000,000
Liability:		
General	0	2,000,000
Automobile	0	included
Public Officials	0	included
Law Enforcement	0	included
Professional Liability	5,000	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Health, dental, vision, and life insurance is offered to Authority employees through a commercial insurance company. Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

NOTE 5: **CAPITAL ASSETS**

	<u>Balance</u> <u>9/30/13</u>	<u>Reclass</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/14</u>
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 1,301,488	\$ 0	\$ 0	\$ 0	\$ 1,301,488
Total Capital Assets Not Being Depreciated	<u>1,301,488</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,301,488</u>
<u>Capital Assets Being Depreciated</u>					
Buildings	10,615,837	(1)	0	0	10,615,836
Leasehold Improvements	13,347,500	0	177,792	0	13,525,292
Equipment	499,062	1	1	(11,882)	487,182
Subtotal Capital Assets Being Depreciated	<u>24,462,399</u>	<u>0</u>	<u>177,793</u>	<u>(11,882)</u>	<u>24,628,310</u>
Accumulated Depreciation -					
Buildings	(7,907,345)	0	(176,070)	0	(8,083,415)
Leasehold	(9,236,263)	0	(520,430)	0	(9,756,693)
Equipment	(461,994)	0	(17,769)	11,882	(467,881)
Total Accumulated Depreciation	<u>(17,605,602)</u>	<u>0</u>	<u>(714,269)</u>	<u>11,882</u>	<u>(18,307,989)</u>
Net Depreciable	<u>6,856,797</u>	<u>0</u>	<u>(536,476)</u>	<u>0</u>	<u>6,320,321</u>
Total Capital Assets, Net	<u>\$ 8,158,285</u>	<u>\$ 0</u>	<u>\$ (536,476)</u>	<u>\$ -</u>	<u>\$ 7,621,809</u>

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN (Continued)**

Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that can be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 1-800-222-7377, or by using the OPERS website at www.OPERS.org.

Employee and employer contributions to OPERS are established under the Ohio Revised Code and are based upon percentages of covered employees' gross salaries, with the contribution rate percentages being calculated annually by the Retirement Board's actuaries. For calendar years 2014 and 2013, the employee and the employer contribution rates were 10 percent and 14 percent, respectively, for all Authority employees.

The Authority's contributions to the OPERS for the years ending September 30, 2014, 2013, and 2012, were \$65,702, \$75,476, and \$77,128, respectively, which were equal to the required contributions for each year.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

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

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. Disclosures for the health care plans are presented separately in the OPERS financial report, which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 800-222-7377, or by using the OPERS website at www.OPERS.org.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by state statute. OPERS' Post-Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the previously mentioned employer contribution rates that will be set aside for funding post-employment health care benefits. For the period ended September 30, 2014, the amount of the employer contribution that was allocated to fund post-employment health care was 1.0 of covered payroll through December 31, 2013, and 2.0 percent starting January 1, 2014.

The Authority's actual contributions that were used to fund OPEB for the years ending September 30, 2014, 2013, and 2012, were \$8,077, \$9,435, and \$22,037, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 8: COMPENSATED ABSENCES

Employees earn 2-5 weeks of annual vacation leave per calendar year, based on years of service. Annual leave may be taken after 1 year of employment. As of September 30, 2014, the accrual for compensated absences totaled \$32,362 and has been included in the accrued liabilities account balance in the accompanying Statement of Net Position. The Authority considers all compensated absences payable as non-current.

The following is a summary of changes in compensated absences for the year ended September 30, 2014:

Description	Balance at 9/30/2013	Additions	Deletions	Balance at 9/30/2014	Amounts Due In One Year
Compensated Absences	\$ 33,406	\$ 30,319	\$ (31,363)	\$ 32,362	\$ 0

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

NOTE 9: RESTRICTED NET POSITION

A summary of restricted net position at September 30, 2014 is as follow:

Cash on hand advanced from HUD to be used for tenants' housing assistance payments	\$ 134,633
Total Restricted Net Position	\$ 134,633

NOTE 10: OPERATING LEASES

The Authority leases office equipment through operating leases. Minimum future rental payments under operating leases having terms in the excess of one year as of September 30, 2014 are:

FYE 2015	\$ 22,471
FYE 2016	17,591
FYE 2017	15,996
FYE 2018	14,148
FYE 2019	9,714
Thereafter	0
	\$ 79,920

Rent expense for operating leases was \$33,167 for the year.

NOTE 11: CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2014.

Litigations and Claims

The Authority is party to legal proceedings. The Authority is of the opinion that the ultimate disposition of claims will not have a material adverse effect, if any, on the financial condition of the Authority.

NOTE 12: ECONOMIC DEPENDENCY

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

**CHILlicothe METROPOLITAN HOUSING AUTHORITY
ROSS COUNTY, OHIO
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor/ Pass Through Grantor/ Program/Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
<i>Direct Programs</i>		
Public and Indian Housing	14.850	\$ 988,385
Public Housing Capital Fund	14.872	550,103
Section 8 Housing Choice Vouchers	14.871	2,767,981
Resident Opportunities and Support Services - Service Coordinator	14.870	40,269
<i>Total Direct Programs</i>		<u>4,346,738</u>
Total U.S. Department of Housing and Urban Development		<u>4,346,738</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 4,346,738</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

NOTE 1: NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2014

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	91 Other Federal Program 3	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$983,632	\$225,913			\$210,196	\$1,419,741		\$1,419,741
113 Cash - Other Restricted	\$18,193	\$174,202				\$192,395		\$192,395
114 Cash - Tenant Security Deposits	\$47,626					\$47,626		\$47,626
100 Total Cash	\$1,049,451	\$400,115	\$0	\$0	\$210,196	\$1,659,762	\$0	\$1,659,762
122 Accounts Receivable - HUD Other Projects			\$41,635	\$11,395	\$1,615	\$54,645		\$54,645
125 Accounts Receivable - Miscellaneous	\$3,694					\$3,694		\$3,694
126 Accounts Receivable - Tenants	\$33,033					\$33,033		\$33,033
126.1 Allowance for Doubtful Accounts -Tenants	-\$12,750					-\$12,750		-\$12,750
128 Fraud Recovery	\$2,179	\$4,135				\$6,314		\$6,314
128.1 Allowance for Doubtful Accounts - Fraud	-\$250	-\$1,300				-\$1,550		-\$1,550
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$25,906	\$2,835	\$41,635	\$11,395	\$1,615	\$83,386	\$0	\$83,386
142 Prepaid Expenses and Other Assets	\$14,190				\$1,807	\$15,997		\$15,997
143 Inventories	\$45,472					\$45,472		\$45,472
144 Inter Program Due From					\$127,859	\$127,859	-\$127,859	\$0
150 Total Current Assets	\$1,135,019	\$402,950	\$41,635	\$11,395	\$341,477	\$1,932,476	-\$127,859	\$1,804,617
161 Land	\$871,233	\$162,144	\$226,067		\$42,044	\$1,301,488		\$1,301,488
162 Buildings	\$8,590,278		\$1,109,706		\$915,852	\$10,615,836		\$10,615,836
163 Furniture, Equipment & Machinery - Dwellings	\$145,432		\$735			\$146,167		\$146,167
164 Furniture, Equipment & Machinery - Administration	\$128,867	\$18,606			\$193,542	\$341,015		\$341,015
165 Leasehold Improvements	\$12,618,300		\$402,665		\$504,327	\$13,525,292		\$13,525,292
166 Accumulated Depreciation	-\$16,294,161	-\$18,606	-\$735,419		-\$1,259,803	-\$18,307,989		-\$18,307,989
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,059,949	\$162,144	\$1,003,754	\$0	\$395,962	\$7,621,809	\$0	\$7,621,809
180 Total Non-Current Assets	\$6,059,949	\$162,144	\$1,003,754	\$0	\$395,962	\$7,621,809	\$0	\$7,621,809
290 Total Assets and Deferred Outflow of Resources	\$7,194,968	\$565,094	\$1,045,389	\$11,395	\$737,439	\$9,554,285	-\$127,859	\$9,426,426

See Independent Auditor's Report

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2014

312	Accounts Payable <= 90 Days	\$34,820	\$664			\$10,060	\$45,544		\$45,544
321	Accrued Wage/Payroll Taxes Payable	\$8,886				\$14,325	\$23,211		\$23,211
333	Accounts Payable - Other Government	\$62,232					\$62,232		\$62,232
341	Tenant Security Deposits	\$47,626					\$47,626		\$47,626
346	Accrued Liabilities - Other	\$25,986					\$25,986		\$25,986
347	Inter Program - Due To		\$74,829	\$41,635	\$11,395		\$127,859	-\$127,859	\$0
310	Total Current Liabilities	\$179,550	\$75,493	\$41,635	\$11,395	\$24,385	\$332,458	-\$127,859	\$204,599
353	Non-current Liabilities - Other	\$18,193	\$39,569				\$57,762		\$57,762
354	Accrued Compensated Absences - Non Current	\$9,041	\$6,624			\$16,697	\$32,362		\$32,362
350	Total Non-Current Liabilities	\$27,234	\$46,193	\$0	\$0	\$16,697	\$90,124	\$0	\$90,124
300	Total Liabilities	\$206,784	\$121,686	\$41,635	\$11,395	\$41,082	\$422,582	-\$127,859	\$294,723
508.4	Net Investment in Capital Assets	\$6,059,949	\$162,144	\$1,003,754		\$395,962	\$7,621,809		\$7,621,809
511.4	Restricted Net Position	\$0	\$134,633				\$134,633		\$134,633
512.4	Unrestricted Net Position	\$928,235	\$146,631	\$0	\$0	\$300,395	\$1,375,261		\$1,375,261
513	Total Equity - Net Assets / Position	\$6,988,184	\$443,408	\$1,003,754	\$0	\$696,357	\$9,131,703	\$0	\$9,131,703
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,194,968	\$565,094	\$1,045,389	\$11,395	\$737,439	\$9,554,285	-\$127,859	\$9,426,426

See Independent Auditor's Report

CHILlicothe METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2014

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	91 Other Federal Program 3	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$677,526					\$677,526		\$677,526
70400 Tenant Revenue - Other	\$10,525					\$10,525		\$10,525
70500 Total Tenant Revenue	\$688,051	\$0	\$0	\$0	\$0	\$688,051	\$0	\$688,051
70600 HUD PHA Operating Grants	\$1,360,697	\$2,767,981		\$40,269		\$4,168,947		\$4,168,947
70610 Capital Grants	\$177,791					\$177,791		\$177,791
70710 Management Fee					\$336,062	\$336,062	-\$336,062	\$0
70720 Asset Management Fee					\$45,960	\$45,960	-\$45,960	\$0
70730 Book Keeping Fee					\$77,258	\$77,258	-\$77,258	\$0
70740 Front Line Service Fee					\$40,373	\$40,373	-\$40,373	\$0
70750 Other Fees								
70700 Total Fee Revenue					\$499,653	\$499,653	-\$499,653	\$0
71100 Investment Income - Unrestricted	\$52	\$188			\$502	\$742		\$742
71400 Fraud Recovery		\$7,282				\$7,282		\$7,282
71500 Other Revenue	\$27,705	\$14,864			\$300	\$42,869		\$42,869
72000 Investment Income - Restricted		\$92				\$92		\$92
70000 Total Revenue	\$2,254,296	\$2,790,407	\$0	\$40,269	\$500,455	\$5,585,427	-\$499,653	\$5,085,774
91100 Administrative Salaries	\$72,777	\$94,327			\$171,860	\$338,964		\$338,964
91200 Auditing Fees	\$5,563	\$2,140			\$856	\$8,559		\$8,559
91300 Management Fee	\$290,330	\$45,732				\$336,062	-\$336,062	\$0
91310 Book-keeping Fee	\$33,548	\$43,710				\$77,258	-\$77,258	\$0
91500 Employee Benefit contributions - Administrative	\$49,023	\$72,948			\$79,114	\$201,085		\$201,085
91600 Office Expenses	\$66,572	\$20,450			\$70,615	\$157,637		\$157,637
91700 Legal Expense	\$1,936	\$195				\$2,131		\$2,131
91800 Travel					\$1,666	\$1,666		\$1,666
91900 Other	\$5,155	\$45,508			\$15,574	\$66,237		\$66,237
91000 Total Operating - Administrative	\$524,904	\$325,010	\$0	\$0	\$339,685	\$1,189,599	-\$413,320	\$776,279
92000 Asset Management Fee	\$45,960					\$45,960	-\$45,960	\$0
92100 Tenant Services - Salaries	\$5,729			\$29,765		\$35,494		\$35,494
92300 Employee Benefit Contributions - Tenant Services				\$10,504		\$10,504		\$10,504
92400 Tenant Services - Other	\$6,179					\$6,179		\$6,179
92500 Total Tenant Services	\$11,908	\$0	\$0	\$40,269	\$0	\$52,177	\$0	\$52,177

See Independent Auditor's Report

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2014

93100 Water	\$66,820				\$422	\$67,242		\$67,242
93200 Electricity	\$189,694				\$11,495	\$201,189		\$201,189
93300 Gas	\$16,558				\$2,873	\$19,431		\$19,431
93600 Sewer	\$62,811				\$253	\$63,064		\$63,064
93000 Total Utilities	\$335,883	\$0	\$0	\$0	\$15,043	\$350,926	\$0	\$350,926
94100 Ordinary Maintenance and Operations - Labor	\$94,365					\$94,365		\$94,365
94200 Ordinary Maintenance and Operations - Materials and Other	\$126,561				\$1,470	\$128,031		\$128,031
94300 Ordinary Maintenance and Operations Contracts	\$450,744				\$19,025	\$469,769	-\$40,373	\$429,396
94500 Employee Benefit Contributions - Ordinary Maintenance	\$88,834					\$88,834		\$88,834
94000 Total Maintenance	\$760,504	\$0	\$0	\$0	\$20,495	\$780,999	-\$40,373	\$740,626
95200 Protective Services - Other Contract Costs	\$1,164					\$1,164		\$1,164
95000 Total Protective Services	\$1,164	\$0	\$0	\$0	\$0	\$1,164	\$0	\$1,164
96110 Property Insurance	\$82,469				\$4,746	\$87,215		\$87,215
96130 Workmen's Compensation	\$7,926				\$6,337	\$14,263		\$14,263
96100 Total insurance Premiums	\$90,395	\$0	\$0	\$0	\$11,083	\$101,478	\$0	\$101,478
96200 Other General Expenses		\$9,873				\$9,873		\$9,873
96210 Compensated Absences	\$2,406	\$245				\$2,651		\$2,651
96300 Payments in Lieu of Taxes	\$37,261					\$37,261		\$37,261
96400 Bad debt - Tenant Rents	\$37,946					\$37,946		\$37,946
96000 Total Other General Expenses	\$77,613	\$10,118	\$0	\$0	\$0	\$87,731	\$0	\$87,731
96900 Total Operating Expenses	\$1,848,331	\$335,128	\$0	\$40,269	\$386,306	\$2,610,034	-\$499,653	\$2,110,381
97000 Excess of Operating Revenue over Operating Expenses	\$405,965	\$2,455,279	\$0	\$0	\$114,149	\$2,975,393	\$0	\$2,975,393
97100 Extraordinary Maintenance	\$259,747					\$259,747		\$259,747
97200 Casualty Losses - Non-capitalized	\$91,906					\$91,906		\$91,906
97300 Housing Assistance Payments		\$2,439,639				\$2,439,639		\$2,439,639
97350 HAP Portability-In		\$13,239				\$13,239		\$13,239
97400 Depreciation Expense	\$635,809		\$54,587		\$23,873	\$714,269		\$714,269
90000 Total Expenses	\$2,835,793	\$2,788,006	\$54,587	\$40,269	\$410,179	\$6,128,834	-\$499,653	\$5,629,181

See Independent Auditor's Report

CHILlicoTHE METROPOLITAN HOUSING AUTHORITY
PROJECTS- NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE, ENTERPRISE FUND
SEPTEMBER 30, 2014

10010 Operating Transfer In	\$50,000					\$50,000		\$50,000
10020 Operating transfer Out	-\$50,000					-\$50,000		-\$50,000
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$581,497	\$2,401	-\$54,587	\$0	\$90,276	-\$543,407	\$0	-\$543,407
11030 Beginning Equity	\$7,569,681	\$441,007	\$1,058,341	\$0	\$606,081	\$9,675,110		\$9,675,110
11170 Administrative Fee Equity		\$308,775				\$308,775		\$308,775
11180 Housing Assistance Payments Equity		\$134,633				\$134,633		\$134,633
11190 Unit Months Available	4596	6360				10956		10956
11210 Number of Unit Months Leased	4473	5828				10301		10301
11270 Excess Cash	\$729,276					\$729,276		\$729,276
11650 Leasehold Improvements Purchases	\$177,791				\$0	\$177,791		\$177,791

See Independent Auditor's Report



Whited Seigneur Sams & Rahe, LLP

Phone: (740) 702-2600
Fax: (740) 702-2610
Audit Fax: (740) 702-2612

CERTIFIED PUBLIC ACCOUNTANTS

213 South Paint Street, Chillicothe, OH 45601

email@wssrcpa.com
http://www.wssrcpa.com

Jerry B. Whited, CPA
Donald R. Seigneur, CPA

John R. Sams, CPA
Barry L. Rahe, CPA

Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

Jay D. Seigneur, CPA
Kathy J. Lambert, CPA

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

March 11, 2015

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

We have audited, in accordance with the 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, the financial statements of the business-type activities of Chillicothe Metropolitan Housing Authority (the Authority), Ross County, Ohio, as of and for the year ended September 30, 2014, which comprise the statement of net position as of September 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe



Whited Seigneur Sams & Rahe, LLP

Phone: (740) 702-2600
Fax: (740) 702-2610
Audit Fax: (740) 702-2612

CERTIFIED PUBLIC ACCOUNTANTS

213 South Paint Street, Chillicothe, OH 45601

email@wssrcpa.com
http://www.wssrcpa.com

Jerry B. Whited, CPA
Donald R. Seigneur, CPA

John R. Sams, CPA
Barry L. Rahe, CPA

Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

Jay D. Seigneur, CPA
Kathy J. Lambert, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

March 11, 2015

Members of the Board of Commissioners
Chillicothe Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

We have audited Chillicothe Metropolitan Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2014. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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; and 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 the 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 on compliance for the major program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
SEPTEMBER 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #14.871 Section 8 Housing Choice Vouchers
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	\$300,000
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

This page intentionally left blank.



Dave Yost • Auditor of State

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2015