

Columbiana Metropolitan Housing Authority

General Purpose Financial Statements

For the Year Ended June 30, 2002





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Board of Directors  
Columbiana Metropolitan Housing Authority  
325 Moore Street  
East Liverpool, Ohio 43920-2572

We have reviewed the Independent Auditor's Report of the Columbiana Metropolitan Housing Authority, Columbiana County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 Columbiana Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2002

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8025 Corporate Circle, Suite 4  
North Royalton, Ohio 44133  
Phone: (440) 886-0482  
Fax: (440) 886-0585  
E-mail: [sconsiglio@aol.com](mailto:sconsiglio@aol.com)

**SALVATORE CONSIGLIO, CPA, INC.**

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### **Independent Auditors' Report**

Board of Directors  
Columbiana Metropolitan Housing  
Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying general purpose financial statements of Columbiana Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Columbiana Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Columbiana Metropolitan Housing Authority, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 20, 2002, on my consideration of Columbiana 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.

My Audit was performed for the purpose of forming and opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Columbiana Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the general purpose financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the general purpose 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 that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

December 20, 2002



Columbiana Metropolitan Housing Authority  
 Combined Balance Sheet  
 Proprietary Fund Type - Enterprise Fund  
 June 30, 2002

**ASSETS**

CURRENT ASSETS:

Cash and Cash Equivalents	\$819,324
Accounts Receivables – Net of Allowance	328,421
Inventories	24,774
Deferred Charges and Other Assets	67,465
TOTAL CURRENT ASSETS	1,239,984

NONCURRENT ASSETS:

Note Receivable - Non Current	74,190
Fixed Assets - Net of Accumulated Depreciation	9,513,027
TOTAL NONCURRENT ASSETS	9,587,217

TOTAL ASSETS	\$10,827,201
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**LIABILITIES AND FUND EQUITY**

CURRENT LIABILITES:

Accounts Payable	\$291,352
Intergovernmental Payable	41,089
Accrued Wages and Payroll Taxes	70,290
Tenant Security Deposits	32,291
Deferred Credits and Other Liabilities	48,280
TOTAL CURRENT LIABILITES	483,302

NONCURRENT LIABILITES:

Long-term Debt Net of Current	74,190
TOTAL NONCURRENT LIABILITES	74,190

TOTAL LIABILITES	557,492
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FUND EQUITY:

Total Contributed Capital	7,822,359
Retained Earnings - Unreserved	2,447,350

TOTAL FUND EQUITY	10,269,709
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TOTAL LIABILITIES AND FUND EQUITY	\$10,827,201
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The accompanying notes to the general purpose financial statements are an integral part of these statements.

Columbiana Metropolitan Housing Authority  
 Combined Statement of Revenue, Expenses and Change in Fund Equity  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended June 30, 2002

**REVENUE**

Tenant Rental Revenue	\$608,356
Program Grant/Subsidies	4,095,897
Interest Income	21,312
Other Income	6,967
	4,732,532
<b>TOTAL REVENUE</b>	<b>4,732,532</b>

**EXPENSES**

Administrative Expenses	952,948
Tenant Services	32,105
Utilities Expenses	341,853
Ordinary Maintenance and Operation	447,818
Protective Services	124,893
General Expenses	85,446
Housing Assistance Expenses	1,606,906
Interest Expense	599
Depreciation Expense	696,158
	4,288,726
<b>TOTAL EXPENSES</b>	<b>4,288,726</b>

EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	443,806
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Beginning Retained Earnings	2,661,451
Adjustment to Restate Beginning Retained Earnings	(641,515)
Prior Period Adjustments	(16,392)
	2,447,350

Ending Retained Earnings	2,447,350
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Beginning Contributed Capital	7,180,844
Adjustment to Restate Beginning Contributed Capital	641,515
	7,822,359

Ending Contributed Capital	7,822,359
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<b>ENDING FUND EQUITY</b>	<b>\$10,269,709</b>
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The accompanying notes to the general purpose financial statements are an integral part of these statements.

Columbiana Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended June 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Operating Income/(Loss)	\$443,806
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	696,158
- (Increases) Decreases in Accounts Receivable	(144,848)
- (Increases) Decreases in Prepaid Expenses	(31,207)
- (Increases) Decreases in Inventory	(3,001)
- Increases (Decreases) Accounts Payable	152,256
- Increases (Decreases) in Deferred Credits and Other Liabilities	<u>(85,140)</u>
 Total Adjustments	 <u>584,218</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>1,028,024</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of Assets	<u>(1,012,616)</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(1,012,616)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 15,408
 CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	 <u>803,916</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u><u>\$819,324</u></u>

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

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The financial statements of the Columbiana 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 Columbiana 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.

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.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

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

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

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

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

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2002 totaled \$21,312.

**Fixed Assets**

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

**Cash and Cash Equivalents**

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

**Compensated Absences**

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

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

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

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.

**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.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$998,512	\$998,512	\$-0-	\$-0-	\$819,324
<b>Total Deposits</b>	<b>\$998,512</b>	<b>\$998,512</b>	<b>\$-0-</b>	<b>\$-0-</b>	<b>\$819,324</b>

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.

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 counterpart's trust department or agent in the PHA's name.

Category 3 – Uninsured and unregistered, with securities held by the counterpart, 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. Therefore, the categories described above do not apply.

**NOTE 4: 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 June 30, 2002 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.



COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

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 5: FIXED ASSETS**

The following is a summary:

Land	\$1,027,540
Buildings	18,379,122
Furniture, Machinery and Equipment	877,507
Leasehold Improvement	2,244,136
Construction in Progress	316,384
Total Fixed Assets	22,844,689
Accumulated Depreciation	(13,331,662)
Net Fixed Assets	\$9,513,027

The following is a summary of changes:

	<b>Balance 06/30/01</b>	<b>Adjust.</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 06/30/02</b>
Land	\$1,001,040	\$-0-	\$26,500	\$-0-	\$1,027,540
Buildings	17,861,524	(33,200)	550,798	-0-	18,379,122
Furnt, Mach. and Equip.	779,556	(47,409)	149,942	4,582	877,507
Leasehold Improvement	2,104,639	-0-	139,497	-0-	2,244,136
Construction in Progress	170,505	-0-	145,879	-0-	316,384
Total Fixed Assets	\$21,917,264	(\$80,609)	\$1,012,616	\$4,582	\$22,844,689

The depreciation expense for the year ended June 30, 2002 was \$696,158.

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

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

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(CONTINUED)

**NOTE 6: 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 2001 employer pension contribution rate for the Authority was 9.35 percent of cover payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended June 30, 2002, 2001 and 2000 were \$59,677, \$46,094, and \$58,473, respectively. The full amount has been contributed for 2002, 2001 and 2000.

**NOTE 7: 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 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001.

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

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2002  
 (CONTINUED)

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES  
 RETIREMENT SYSTEM** (Continued)

The number of active contributing participants was 401,339. The Authority's actual contributions for 2001, which were used to fund OPEB, were \$24,786. The actual contribution and the required contribution amounts are the same. PERS's net assets available for payments of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

**NOTE 8: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustment in total of \$16,392 was necessary to properly state the retained earning balance. The adjustments are as follows:

**Capital Fund Program:**

Correction to the Fiscal Year 2001 financial statements to properly expenses soft-cost that were previously included as fixed assets	(\$35,000)
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**Low Rent Public Housing:**

Adjustment to properly state beginning retained earning balance	18,608
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Total Prior Period Adjustment	<u>18,608</u> <u>(\$16,392)</u>
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**NOTE 9: LONG TERM DEBT**

**Promissory Note Payable**

Columbiana Metropolitan Housing Authority has an outstanding note payable with Potters Bank of \$79,856 as of June 30, 2002. The original note was for \$85,000 dated August 2, 2001 to be used for renovation of a building owned by the PHA and leased to the Community Action Agency of Columbiana County. The note contains an interest rate of 7% fixed through March 3, 2002 at which time a Certificate of Deposit securing the note matures. Interest thereafter is calculated at the then current Certificate of Deposit rate plus 2%. A monthly principal payment of \$472.22 plus the current interest rate is due monthly starting on September 2, 2001 through the maturity date of August 2, 2016.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002  
(CONTINUED)

**NOTE 9: LONG TERM DEBT** (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2002:

DESCRIPTION	BALANCE 06/30/01	ISSUED	RETIRED	BALANCE 06/30/02	DUE WITHIN ONE YEAR
Promissory Note	\$-0-	\$85,000	\$5,144	\$79,856	\$5,666
TOTAL DEBT	\$-0-	\$85,000	\$5,144	\$79,856	\$5,666

**NOTE 10: NOTE RECEIVABLE**

The Authority has entered into a Note/Lease Agreement with the Community Action Agency of Columbiana County for a lease of a building located at 1736 Commerce Street, Wellsville, Ohio. The term of the lease is 15 years commencing September 20, 2001 and ending on September 19, 2016.

During the primary term of the lease, the total rent payment is \$23,820, payable in equal installments of \$1,985 monthly. The rent payment for this building is used to repay to promissory note with Potters Bank. The lease agreement stated a clause that if the Tenant terminates the lease, the Tenant is then responsible for the remaining promissory note balance of Potters Bank. Because of this, a note receivable is recorded in the financial statements for the outstanding balance of the promissory note payable. At June 30, 2002 the outstanding note receivable is as follows:

Current Portion of Note Receivable	\$5,666
Note Receivable – Non-Current	74,190
Total Note Receivable	<u>\$79,856</u>

**NOTE 11: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

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

**NOTE 12: CONTRIBUTED CAPITAL**

A reclassification adjustment of \$641,514 between retained earnings and contributed capital was necessary to properly state the beginning balances.

Columbiana Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2002

FDS Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Drug Elimination Program	Sect. 8 Rental Voucher Program	Sect. 8 Rental Certificate Program	Public Housing-Comp. Grant Program	Housing Choice Voucher	Public Housing Capital Fund Program	Total
<b>ASSETS:</b>										
CURRENT ASSETS:										
Cash:										
111	Cash – unrestricted	\$1,990	\$663,018	\$-0-	\$-0-	\$-0-	\$-0-	\$154,316	\$-0-	\$819,324
100	Total cash	1,990	663,018	-0-	-0-	-0-	-0-	154,316	-0-	819,324
Accounts and notes receivables:										
122	Accounts receivable – HUD other Projects	-0-	205,933	-0-	-0-	-0-	-0-	61,183	1,257	268,373
124	Accounts Receivable- Other Government	-0-	-0-	-0-	-0-	-0-	-0-	4,302	-0-	4,302
125	Accounts receivable – Miscellaneous	-0-	27,395	-0-	-0-	-0-	-0-	-0-	-0-	27,395
126	Accounts receivable – Tenant Dwelling Rent	-0-	21,058	-0-	-0-	-0-	-0-	-0-	-0-	21,058
126.1	Allowance for doubtful Accounts-Dwelling rents	-0-	(11,255)	-0-	-0-	-0-	-0-	-0-	-0-	(11,255)
126.2	Allowance for doubtful accounts-Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
127	Notes, Loans, & Mortgages Receivable-Current	-0-	5,666	-0-	-0-	-0-	-0-	-0-	-0-	5,666
129	Accrued Interest Receivable	-0-	12,816	-0-	-0-	-0-	-0-	66	-0-	12,882
120	Total receivables, net of allowances for doubtful accounts	-0-	261,613	-0-	-0-	-0-	-0-	65,551	1,257	328,421
142	Prepaid expenses and other assets	-0-	63,202	-0-	-0-	-0-	-0-	4,263	-0-	67,465
143	Inventories	-0-	24,774	-0-	-0-	-0-	-0-	-0-	-0-	24,774
150	<b>TOTAL CURRENT ASSETS</b>	1,990	1,012,607	-0-	-0-	-0-	-0-	224,130	1,257	1,239,984
NONCURRENT ASSETS:										
Fixed assets:										
161	Land	-0-	1,027,540	-0-	-0-	-0-	-0-	-0-	-0-	1,027,540
162	Buildings	-0-	17,300,551	-0-	-0-	-0-	515,478	-0-	563,093	18,379,122
163	Furniture, equipment & machinery – Dwellings	-0-	249,749	-0-	-0-	-0-	99,082	-0-	27,709	376,540
164	Furniture, equipment & machinery – Administration	-0-	376,433	-0-	-0-	-0-	-0-	69,730	54,804	500,967
165	Leasehold Improvement	-0-	2,079,521	-0-	-0-	-0-	15,000	-0-	149,615	2,244,136
166	Accumulated depreciation	-0-	(13,202,765)	-0-	-0-	-0-	(38,011)	(57,827)	(33,059)	(13,331,662)
167	Construction in Progress	-0-	-0-	-0-	-0-	-0-	-0-	-0-	316,384	316,384
160	Total fixed assets, net of accum depreciation	-0-	7,831,029	-0-	-0-	-0-	591,549	11,903	1,078,546	9,513,027
171	Notes, Loans & Mortgages recv- Non Current	-0-	74,190	-0-	-0-	-0-	-0-	-0-	-0-	74,190
180	<b>TOTAL NONCURRENT ASSETS</b>	-0-	7,905,219	-0-	-0-	-0-	591,549	11,903	1,078,546	9,587,217
190	<b>TOTAL ASSETS</b>	\$1,990	\$8,917,826	\$0-	\$-0-	\$0	\$591,549	\$236,033	\$1,079,803	\$10,827,201

Columbiana Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2002

FDS Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Drug Elimination Program	Sect. 8 Rental Voucher Program	Sect. 8 Rental Certificate Program	Public Housing- Comp. Grant Program	Housing Choice Voucher	Public Housing Capital Fund Program	Total
<b>LIABILITIES AND EQUITY:</b>										
<b>LIABILITIES</b>										
<b>CURRENT LIABILITIES</b>										
312	Accounts payable < 90 days	\$-0-	\$258,933	\$-0-	\$-0-	\$-0-	\$-0-	\$31,162	\$1,257	\$291,352
321	Accrued wages and payroll taxes payable	-0-	4,825	-0-	-0-	-0-	-0-	-0-	-0-	4,825
322	Accrued compensated absences	-0-	51,253	-0-	-0-	-0-	-0-	14,212	-0-	65,465
333	Accounts payable - other government	-0-	41,089	-0-	-0-	-0-	-0-	-0-	-0-	41,089
341	Tenant security deposit	-0-	32,291	-0-	-0-	-0-	-0-	-0-	-0-	32,291
342	Deferred Revenue	-0-	1,423	-0-	-0-	-0-	-0-	-0-	-0-	1,423
343	Current Portion of Long Term Debt	-0-	5,666	-0-	-0-	-0-	-0-	-0-	-0-	5,666
345	Other Current Liabilities	-0-	41,191	-0-	-0-	-0-	-0-	-0-	-0-	41,191
310	<b>Total Current Liabilities</b>	-0-	436,671	-0-	-0-	-0-	-0-	45,374	1,257	483,302
351	Long Term Debt	-0-	74,189	-0-	-0-	-0-	-0-	-0-	-0-	74,189
352	Long Term Debt, Net of Current Operating Borrowing	-0-	1	-0-	-0-	-0-	-0-	-0-	-0-	1
350	<b>Total Noncurrent Liabilities</b>	-0-	74,190	-0-	-0-	-0-	-0-	-0-	-0-	74,190
300	<b>TOTAL LIABILITIES</b>	-0-	510,861	-0-	-0-	-0-	-0-	45,374	1,257	557,492
<b>EQUITY:</b>										
Contributed Capital:										
504	Net HUD PHA contributions	-0-	7,501,005	-0-	-0-	-0-	196,570	-0-	-0-	7,697,575
507	Other Contribution	-0-	124,784	-0-	-0-	-0-	-0-	-0-	-0-	124,784
508	<b>Total contributed capital</b>	-0-	7,625,789	-0-	-0-	-0-	196,570	-0-	-0-	7,822,359
512	Undesignated fund balance/retained earnings	1,990	781,176	-0-	-0-	-0-	394,979	190,659	1,078,546	2,447,350
513	<b>TOTAL EQUITY</b>	1,990	8,406,965	-0-	-0-	-0-	591,549	190,659	1,078,546	10,269,709
600	<b>TOTAL LIABILITIES AND EQUITY</b>	\$1,990	\$8,917,826	\$-0-	\$-0-	\$-0-	\$591,549	\$236,033	\$1,079,803	\$10,827,201

Columbiana Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Drug Elimination Program	Sect. 8 Rental Voucher Program	Sect. 8 Rental Certificate Program	Public Housing- Comp. Grant Program	Housing Choice Voucher	Public Housing Capital Fund Program	Total
<b>REVENUE:</b>										
703	Net tenant rental revenue	\$-0-	\$566,855	\$0-	\$0	\$0	\$0	\$0	\$0	\$566,855
704	Tenant revenue - other	-0-	41,501	-0-	-0-	-0-	-0-	-0-	-0-	41,501
705	Total Tenant Revenue	-0-	608,356	-0-	-0-	-0-	-0-	-0-	-0-	608,356
706	HUD PHA grants	26,109	1,029,553	113,314	-0-	-0-	-0-	1,805,383	173,984	3,148,343
706.1	Capital Grants	-0-	-0-	-0-	-0-	-0-	22,012	-0-	925,542	947,554
711	Investment income - unrestricted	-0-	20,383	-0-	-0-	-0-	-0-	929	-0-	21,312
715	Other revenue	-0-	-0-	-0-	-0-	-0-	-0-	6,744	-0-	6,744
716	Gain/loss on sale of fixed assets	-0-	1,554	-0-	-0-	-0-	-0-	(1,331)	-0-	223
700	<b>TOTAL REVENUE</b>	26,109	1,659,846	113,314	-0-	-0-	22,012	1,811,725	1,099,526	4,732,532
<b>EXPENSES:</b>										
Administrative:										
911	Administrative salaries	-0-	233,707	21,548	-0-	-0-	-0-	109,786	-0-	365,041
912	Auditing fees	-0-	-0-	-0-	-0-	-0-	-0-	6,380	-0-	6,380
915	Employee benefit contributions- administrative	-0-	228,412	29,161	-0-	-0-	-0-	52,481	-0-	310,054
916	Other operating- administrative	-0-	61,892	7,999	-0-	-0-	-0-	27,598	173,984	271,473
Tenant Services:										
921	Tenant Services-Salaries	-0-	19,789	-0-	-0-	-0-	-0-	-0-	-0-	19,789
924	Tenant Services – Other	-0-	12,316	-0-	-0-	-0-	-0-	-0-	-0-	12,316
Utilities:										
931	Water	-0-	145,937	-0-	-0-	-0-	-0-	-0-	-0-	145,937
932	Electricity	-0-	111,970	-0-	-0-	-0-	-0-	-0-	-0-	111,970
933	Gas	-0-	83,946	-0-	-0-	-0-	-0-	-0-	-0-	83,946
Ordinary maintenance & operation:										
941	Ordinary maintenance and operations - labor	-0-	245,796	-0-	-0-	-0-	-0-	-0-	-0-	245,796
942	Ordinary maintenance and operations - materials and other	-0-	95,928	-0-	-0-	-0-	-0-	-0-	-0-	95,928

Columbiana Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Drug Elimination Program	Sect. 8 Rental Voucher Program	Sect. 8 Rental Certificate Program	Public Housing- Comp. Grant Program	Housing Choice Voucher	Public Housing Capital Fund Program	Total
943	Ordinary maintenance and operations - contract costs	-0-	87,751	-0-	-0-	-0-	-0-	6,545	-0-	94,296
952	Protective Services-Other Contract Costs	-0-	70,287	54,606	-0-	-0-	-0-	-0-	-0-	124,893
	General expenses:									
961	Insurance premiums	-0-	41,607	-0-	-0-	-0-	-0-	538	-0-	42,145
962	Other General Expenses	-0-	5,699	-0-	-0-	-0-	-0-	-0-	-0-	5,699
963	Payments in lieu of taxes	-0-	23,363	-0-	-0-	-0-	-0-	-0-	-0-	23,363
964	Bad Debt – Tenant Rents	-0-	14,239	-0-	-0-	-0-	-0-	-0-	-0-	14,239
967	Interest Expenses	-0-	599	-0-	-0-	-0-	-0-	-0-	-0-	599
969	<b>TOTAL OPERATING EXPENSES</b>	-0-	1,483,238	113,314	-0-	-0-	-0-	203,328	173,984	1,973,864
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	26,109	176,608	-0-	-0-	-0-	22,012	1,608,397	925,542	2,758,668
971	Extraordinary maintenance	-0-	11,798	-0-	-0-	-0-	-0-	-0-	-0-	11,798
973	Housing assistance payments	24,119	-0-	-0-	-0-	-0-	-0-	1,582,787	-0-	1,606,906
974	Depreciation expense	-0-	631,021	-0-	-0-	-0-	27,510	9,996	27,631	696,158
900	<b>TOTAL EXPENSES</b>	24,119	2,126,057	113,314	-0-	-0-	27,510	1,796,111	201,615	4,288,726
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) EXPENSES</b>	1,990	(466,211)	-0-	-0-	-0-	(5,498)	15,614	897,911	443,806
1103	Beginning equity	-0-	7,976,102	-0-	67,432	107,613	1,478,513	-0-	215,635	9,842,295
1104	Prior period adjustments and equity transfers	-0-	900,074	-0-	(67,432)	(107,613)	(881,466)	175,045	(35,000)	(16,392)
	<b>ENDING RETAINED EARNINGS</b>	\$1,990	\$8,409,965	-0-	-0-	-0-	\$591,549	\$190,659	\$1,078,546	\$10,269,709



Columbiana Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Drug Elimination Program	Sect. 8 Rental Voucher Program	Sect. 8 Rental Certificate Program	Public Housing- Comp. Grant Program	Housing Choice Voucher	Public Housing Capital Fund Program	Total
<b>MEMO ACCOUNT INFORMATION:</b>										
1112	Depreciation "add back"	-0-	631,021	-0-	-0-	-0-	27,510	9,996	27,631	696,158
1113	Maximum annual contributions commitment (per ACC)	-0-	-0-	-0-	-0-	-0-	-0-	1,702,007	-0-	1,702,007
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-	103,376	-0-	103,376
1116	Total annual contributions available	-0-	-0-	-0-	-0-	-0-	-0-	1,805,383	-0-	1,805,383
1120	Unit months available	90	5,808	-0-	-0-	-0-	-0-	5,844	-0-	11,742
1121	Number of unit months leased	79	5,387	-0-	-0-	-0-	-0-	5,506	-0-	10,972

Columbiana Metropolitan Housing Authority  
 Schedule of Expenditures of Federal Award  
 For the Year Ended June 30, 2002

<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		
Shelter Plus Care	14.238	\$26,109
Low Rent Public Housing	14.850a	1,029,553
Drug Elimination Grant	14.854	113,314
Public Housing – Comprehensive Grant Program	14.859	22,012
Housing Choice Vouchers	14.871	1,805,383
Public Housing Capital Fund Program	14.872	<u>1,099,526</u>
 Total Expenditure of Federal Award		 <u><u>\$4,095,897</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  
Columbiana Metropolitan Housing  
Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the general purpose financial statements of the Columbiana Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2002, and have issued my report thereon dated December 20, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Columbiana 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*.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Columbiana Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the

financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

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.

December 20, 2002

8025 Corporate Circle, Suite 4  
North Royalton, Ohio 44133  
Phone: (440) 886-0482  
Fax: (440) 886-0585

**SALVATORE CONSIGLIO, CPA, INC.**

E-mail: [sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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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  
Columbiana Metropolitan Housing  
Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

I have audited the compliance of the Columbiana 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 June 30, 2002. Columbiana 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 Columbiana Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Columbiana 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 Columbiana 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 Columbiana Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Columbiana 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 June 30, 2002.

## **Internal Control Over Compliance**

The management of Columbiana 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 Columbiana 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.

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.

December 20, 2002

Columbiana Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2002

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850a, 14.871, 14.872 - Low Rent Public Housing, Housing Choice Voucher & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	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 June 30, 2002.

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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There are no Findings or questioned costs for the year ended June 30, 2002.

Columbiana Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2002

The audit report for the fiscal year ending June 30, 2001 contained not audit finding.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**

**COLUMBIANA 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  
FEBRUARY 4, 2003**