

Adams Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Directors
Adams Metropolitan Housing Authority
401 East 7th Street
Manchester, Ohio 45144-1401

We have reviewed the *Independent Auditors' Report* of the Adams Metropolitan Housing Authority, Adams County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2006 through September 30, 2007. 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 Adams Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 10, 2008

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ADAMS METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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Independent Auditors' Report

Board of Directors
Adams Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Adams Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2007, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Adams Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Adams Metropolitan Housing Authority, Ohio, as of September 30, 2007, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 16, 2008, on my consideration of Adams Metropolitan Housing Authority, Ohio's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming and opinion on the Financial Statements that collectively comprise the Adams Metropolitan Housing Authority, Ohio, basic financial statements. 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 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.

June 16, 2008

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

UNAUDITED

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

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

FINANCIAL HIGHLIGHTS

- Total assets were \$5,874,607 and \$5,868,202 for 2007 and 2006 respectively. The Authority-wide statements reflect an increase in total assets of \$6,405 (or .11%) during 2007.
- Revenues increased by \$25,667 during 2007, and were \$2,001,415 for 2007 and \$1,975,748 for 2006 respectively.
- The total expenses of all Authority programs increased by \$1,651 (or .08%). Total expenses were \$1,977,745 and \$1,979,396 for 2007 and 2006 respectively.

USING THIS ANNUAL REPORT

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

MD&A ~Management's Discussion and Analysis ~
Basic Financial Statement ~Authority Financial Statements ~
Other Required Supplementary Information ~Required Supplementary Information ~ (Other than the MD&A)

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

UNAUDITED

Authority Financial Statements

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

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The Statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly know as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

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

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

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

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

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

Finally, a Statement of Cash Flows is included which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

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Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

The Authority's Programs

Conventional Public Housing

Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Housing Choice Voucher Program

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

Capital Fund Program

The public housing program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties. The Department of Housing and Urban Development Capital Fund Program provides grant funds for the development, renovations and construction of Public Housing Projects.

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

UNAUDITED

AUTHORITY STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 460,428	\$ 444,590
Capital Assets	<u>5,414,179</u>	<u>5,423,612</u>
 Total Assets	 <u>\$ 5,874,607</u>	 <u>\$ 5,868,202</u>
 Current Liabilities	 \$ 55,164	 \$ 79,315
Noncurrent Liabilities	<u>64,463</u>	<u>57,577</u>
 Total Liabilities	 <u>119,627</u>	 <u>136,892</u>
 Net Assets:		
Investment in Capital Assets, net of Related Debt	5,414,179	5,423,612
Restricted Net Assets	153,096	-
Unrestricted Net Assets	<u>187,705</u>	<u>307,698</u>
 Total Net Assets	 <u>5,754,980</u>	 <u>5,731,310</u>
 Total Liabilities and Net Assets	 <u>\$ 5,874,607</u>	 <u>\$ 5,868,202</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

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Major Factors Affecting the Statement of Net Assets

During 2007, current and other assets increased by \$15,838, and total liabilities decreased by \$17,265. The current and other assets, primarily cash and investments, increased because of change in receivables from HUD. Liabilities decreased due to decrease in year end payable to vendor and contractors.

Capital assets also changed, decreasing from \$5,423,612 to \$5,414,179. The decrease may be contributed primarily to the current capital improvement less current year depreciation expense. For more detail see "Capital Assets" below.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Table 2 presents details on the change in Unrestricted Net Assets

Beginning Balance - September 30, 2006	\$	307,698
Results of Operation		23,670
Adjustments:		
Current year Depreciation Expense (1)		293,206
Capital Expenditure (2)		(283,773)
Transfer to Restricted Net Assets		(153,096)
		(153,096)
Ending Balance - September 30, 2007	\$	187,705

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

UNAUDITED

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only Business-Type Activities.

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 151,607	\$ 114,243
Operating Subsidies	1,552,916	1,595,828
Capital Grants	283,773	252,140
Investment Income	6,061	3,351
Other Revenues	<u>7,058</u>	<u>10,186</u>
Total Revenues	<u>2,001,415</u>	<u>1,975,748</u>
<u>Expenses</u>		
Administrative	361,179	483,356
Tenant Services	38,138	-
Utilities	112,434	105,001
Maintenance	312,964	297,403
General and Interest Expenses	64,495	60,813
Housing Assistance Payments	795,329	756,566
Depreciation	293,206	289,950
Extraordinary Items (net gain/loss)	<u>-</u>	<u>(13,693)</u>
Total Expenses	<u>1,977,745</u>	<u>1,979,396</u>
Net Increases (Decreases)	<u>\$ 23,670</u>	<u>\$ (3,648)</u>

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

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

Total increase in revenue was primarily due to the increase in total tenant revenue during the year. This increase was mainly due to the composition of family income of new tenants moving in the public housing unit.

The overall total expenses during the year were almost identical to prior year total. The main accounts that had significant changes during the year were the administration salaries and benefits. These accounts had a decrease of \$43,361 and \$27,434 (net of the change in the tenant service salary and benefits) respectively. This change was due to the retirement of the Public Housing Manager in 2006 and was filled with current staff on the payroll and also due to the layoff of the FSS Coordinator. The FSS Coordinator staff was re-hired when the PHA was awarded the FSS Coordinator Grant. The expenses for the FSS Coordinator were reported on the FDS schedule as tenant services in the current year and administration in prior year.

The other expense with significant change during the year in comparison of prior year was the housing assistance payment expense. This expense category increased by \$38,763 in current year. This was due to additional vouchers issued and served during the year.

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$5,414,179 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$9,433 or .17% from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END (net of Depreciation)

	<u>2007</u>	<u>2006</u>
Land and Land Rights	\$ 379,202	\$ 379,202
Buildings	8,433,189	8,433,189
Equipment - Administration	178,240	195,093
Equipment - Dwelling	224,791	224,791
Construction in Progress	524,813	241,040
Accumulated Depreciation	<u>(4,326,056)</u>	<u>(4,049,703)</u>
 Total	 <u>\$ 5,414,179</u>	 <u>\$ 5,423,612</u>

ADAMS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

UNAUDITED

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance - September 30, 2006	\$ 5,423,612
Current year Additions	283,773
Current year Depreciation Expense	<u>(293,206)</u>
Ending Balance - September 30, 2007	\$ <u>5,414,179</u>

Current year additions of \$283,773 represent capital improvement for work on floors and window replacement.

DEBIT

Debt Outstanding

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

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is James R. Bowman III, Executive Director of the Adams Metropolitan Housing Authority, at (937) 549-2648. Specific requests may be submitted to the Adams Metropolitan Housing Authority at 401 East Seventh Street, Manchester, Ohio 45144-1401.

ADAMS METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
September 30, 2007

ASSETS

Current assets

Cash and cash equivalents	\$137,884
Restricted cash	173,879
Receivables, net	141,511
Prepaid expenses and other assets	7,154
Total current assets	<u>460,428</u>

Noncurrent assets

Capital assets:	
Land	379,202
Building and equipment	8,836,220
Construction in Progress	524,813
Less accumulated depreciation	<u>(4,326,056)</u>
Total noncurrent assets	<u>5,414,179</u>
Total assets	<u><u>\$5,874,607</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$24,797
Accrued liabilities	14,354
Intergovernmental payables	1,688
Tenant security deposits	14,325
Total current liabilities	<u>55,164</u>

Noncurrent liabilities

Accrued compensated absences non-current	58,005
Noncurrent liabilities - other	6,458
Total noncurrent liabilities	<u>64,463</u>
Total liabilities	<u><u>\$119,627</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

ADAMS METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets (Continued)
Proprietary Funds
September 30, 2007

NET ASSETS

Invested in capital assets, net of related debt	\$5,414,179
Restricted net assets	\$153,096
Unrestricted net assets	187,705
Total net assets	<u><u>\$5,754,980</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

ADAMS METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2007

OPERATING REVENUES

Tenant Revenue	\$151,607
Government operating grants	1,552,916
Other revenue	3,558
Total operating revenues	<u>1,708,081</u>

OPERATING EXPENSES

Administrative	361,179
Tenant services	38,138
Utilities	112,434
Maintenance	312,964
General	64,495
Housing assistance payment	795,329
Depreciation	293,206
Total operating expenses	<u>1,977,745</u>
Operating income (loss)	<u>(269,664)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	6,061
Miscellaneous revenue	3,500
Total nonoperating revenues (expenses)	<u>9,561</u>
Income (loss) before contributions and transfers	(260,103)

Capital grants	283,773
Change in net assets	23,670
Total net assets - beginning	5,731,310
Total net assets - ending	<u>\$5,754,980</u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Adams Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$1,389,641
Tenant revenue received	153,231
Other revenue received	3,558
General and administrative expenses paid	(870,327)
Housing assistance payments	<u>(795,329)</u>
Net cash provided (used) by operating activities	<u>(119,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>6,061</u>
Net cash provided (used) by investing activities	<u>6,061</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Capital grant funds received	283,773
Proceeds from sale of assets	3,500
Property and equipment purchased	<u>(283,773)</u>
Net cash provided (used) by capital and related activities	<u>3,500</u>
Net increase (decrease) in cash	(109,665)
Cash and cash equivalents - Beginning of year	<u>421,428</u>
<i>Cash and cash equivalents - End of year</i>	<u><u>\$311,763</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Adams Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended September 30, 2007**

***RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES***

Net Operating Income (Loss)	(\$269,664)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	293,206
- (Increases) Decreases in Accounts Receivable	(126,192)
- (Increases) Decreases in Prepaid Assets	689
- Increases (Decreases) in Accounts Payable	(3,565)
- Increases (Decreases) in Accounts Payable - Other Governments	1,685
- Increases (Decreases) in Compensated Absence Payable	4,799
- Increases (Decreases) in Accrued Expenses Payable	(12,654)
- Increases (Decreases) in Deferred Revenue	(11,519)
- Increases (Decreases) in Tenant Security Deposits	1,902
- Increases (Decreases) in Non-Current Liabilities Other	2,087
	<u>2,087</u>
<i>Net cash provided by operating activities</i>	<u><u>(\$119,226)</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

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

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

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(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.

Basis of Presentation

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

Fund Accounting

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

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

Proprietary Fund Types

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

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.

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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

Description of programs

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2007 totaled \$6,061.

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year
Buildings Improvements	15 years
Furniture, equipment and machinery	3-7 years

Net Assets

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

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

Cash and Cash Equivalents

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

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual operating budgets for all its HUD funded programs. The budget for its programs are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

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 receives (or gives) value without directly giving (or receiving) equal value in return.

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period 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.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the 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 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 Authority or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end September 30, 2007, the carrying amount of the Authority's deposits totaled \$311,763 and its bank balance was \$418,114. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2007, \$218,114 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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 Bank in the name of the Authority.

NOTE 3: RESTRICTED CASH AND INVESTMENT

Restricted cash balance as of September 30, 2007 of \$173,879 represent cash on hand for the following:

- FSS escrow funds held for tenants	\$6,458
- Tenant security deposit	\$14,325
- Cash on hand advance from HUD to be used for tenants housing assistance payments	\$153,096

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	Balance 09/30/06	Adjust.	Additions	Deletion	Balance 09/30/07
Capital Assets Not Being Depreciated:					
Land	\$379,202	\$0	\$0	\$0	\$379,202
Construction in Progress	241,040	0	283,773	0	524,813
Total Capital Assets Not Being Depreciated	\$620,242	\$0	\$283,773	\$0	\$904,015

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

NOTE 4: CAPITAL ASSETS (Continued)

	Balance 09/30/06	Adjust.	Additions	Deletion	Balance 09/30/07
Capital Assets Being Depreciated:					
Buildings	\$8,433,189	\$0	\$0	\$0	\$8,433,189
F,M,E - Dwelling	224,791	0	0	0	224,791
F,M,E - Administration	195,093	0	0	(\$16,853)	178,240
Total Capital Assets Being Depreciated	8,853,073	0	0	(\$16,853)	8,836,220
Accumulated Depreciation:					
Buildings	(3,732,053)	0	(263,014)	0	(3,995,067)
F,M,E - Dwelling	(216,110)	0	(6,952)	0	(223,062)
F,M,E - Administration	(101,540)	0	(23,240)	16,853	(107,927)
Total Accumulated Depreciation	(4,049,703)	0	(293,206)	16,853	(4,326,056)
Total Capital Assets Being Depreciated, Net	4,803,370	0	(293,206)	0	4,510,164
Total Capital Assets, Net	\$5,423,612	\$0	(9,433)	\$0	\$5,414,179

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

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

Ohio Public Employees Retirement System administers three separate pension plans as described below:

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

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

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 9.0 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.7 percent of covered payroll. Effective January 1, 2007 the rates increase to 9.5 percent for members and 13.85 for employers. The contribution rates are determined actuarially. The Authority's required contributions to OPERS for the years ended September 30, 2007, 2006 and 2005 were \$42,072, \$46,457, and \$38,906, respectively. Eighty eight percent has been contributed for 2007. All required contributions for the two previous years have been paid.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care.

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care for the year ended September 30, 2007 was 5.0 percent of covered payroll, which amounted to \$15,225. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2006. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2006 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 374,979. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006 and in 2007 and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

ADAMS METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(CONTINUED)

NOTE 7: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Expenditure 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.

NOTE 8: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending September 30, 2007 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

Adams Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash – Unrestricted	\$93,526	\$44,358	\$0	\$137,884
113	Cash - Other Restricted	\$0	\$159,554	\$0	\$159,554
114	Cash - tenant security deposits	\$14,325	\$0	\$0	\$14,325
100	Total Cash	\$107,851	\$203,912	\$0	\$311,763
122	Accounts Receivable – HUD Other Projects	\$43,545	\$0	\$79,743	\$123,288
125	Accounts Receivable – Miscellaneous	\$8,027	\$0	\$0	\$8,027
126	Accounts Receivable - Tenants - Dwelling Rents	\$15,745	\$0	\$0	\$15,745
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$12,800)	\$0	\$0	(\$12,800)
128	Fraud Recovery	\$2,465	\$4,786	\$0	\$7,251
120	Total Receivables, net of allowances for doubtful accounts	\$56,982	\$4,786	\$79,743	\$141,511
142	Prepaid Expenses and Other Assets	\$7,154	\$0	\$0	\$7,154
144	Interprogram Due From	\$152,143	\$0	\$0	\$152,143
150	Total Current Assets	\$324,130	\$208,698	\$79,743	\$612,571
161	Land	\$379,202	\$0	\$0	\$379,202
162	Buildings	\$8,136,282	\$0	\$296,907	\$8,433,189
163	Furniture, Equipment & Machinery – Dwellings	\$224,791	\$0	\$0	\$224,791
164	Furniture, Equipment & Machinery – Administration	\$55,722	\$93,600	\$28,918	\$178,240
166	Accumulated Depreciation	(\$4,220,650)	(\$68,621)	(\$36,785)	(\$4,326,056)
167	Construction In Progress	\$0	\$0	\$524,813	\$524,813
160	Total Fixed Assets, Net of Accumulated Depreciation	\$4,575,347	\$24,979	\$813,853	\$5,414,179
180	Total Non Current Assets	\$4,575,347	\$24,979	\$813,853	\$5,414,179
190	Total Assets	\$4,899,477	\$233,677	\$893,596	\$6,026,750
312	Accounts Payable <= 90 Days	\$24,797	\$0	\$0	\$24,797
321	Accrued Wage/Payroll Taxes Payable	\$14,354	\$0	\$0	\$14,354
333	Accounts Payable - Other Government	\$1,688	\$0	\$0	\$1,688
341	Tenant Security Deposits	\$14,325	\$0	\$0	\$14,325
347	Interprogram Due To	\$0	\$72,400	\$79,743	\$152,143
310	Total Current Liabilities	\$55,164	\$72,400	\$79,743	\$207,307
354	Accrued Compensated Absences - Non Current	\$38,907	\$19,098	\$0	\$58,005
353	Noncurrent Liabilities – Other	\$0	\$6,458	\$0	\$6,458
350	Total Noncurrent Liabilities	\$38,907	\$25,556	\$0	\$64,463
300	Total Liabilities	\$94,071	\$97,956	\$79,743	\$271,770

Adams Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
508.1	Invested in Capital Assets, Net of Related Debt	\$4,575,347	\$24,979	\$813,853	\$5,414,179
511.1	Restricted Net Assets	\$0	\$153,096	\$0	\$153,096
512.1	Unrestricted Net Assets	\$230,059	(\$42,354)	\$0	\$187,705
513	Total Equity/Net Assets	\$4,805,406	\$135,721	\$813,853	\$5,754,980
600	Total Liabilities and Equity/Net Assets	\$4,899,477	\$233,677	\$893,596	\$6,026,750
703	Net Tenant Rental Revenue	\$130,275	\$0	\$0	\$130,275
704	Tenant Revenue - Other	\$21,332	\$0	\$0	\$21,332
705	Total Tenant Revenue	\$151,607	\$0	\$0	\$151,607
706	HUD PHA Operating Grants	\$493,255	\$1,010,401	\$49,260	\$1,552,916
706.1	Capital Grants	\$0	\$0	\$283,773	\$283,773
711	Investment Income - Unrestricted	\$1,347	\$998	\$0	\$2,345
714	Fraud Recovery	\$0	\$2,872	\$0	\$2,872
715	Other Revenue	\$146	\$540	\$0	\$686
716	Gain/Loss on Sale of Fixed Assets	\$3,500	\$0	\$0	\$3,500
720	Investment Income – Restricted	\$0	\$3,716	\$0	\$3,716
700	Total Revenue	\$649,855	\$1,018,527	\$333,033	\$2,001,415
911	Administrative Salaries	\$68,475	\$78,655	\$30,000	\$177,130
912	Auditing Fees	\$3,803	\$4,000	\$0	\$7,803
914	Compensated Absences	\$446	\$4,353	\$0	\$4,799
915	Employee Benefit Contributions - Administrative	\$56,713	\$31,669	\$10,000	\$98,382
916	Other Operating - Administrative	\$43,206	\$20,599	\$9,260	\$73,065
921	Tenant Services – Salaries	\$0	\$21,357	\$0	\$21,357
923	Employee Benefit Contributions – Tenant Services	\$0	\$16,781	\$0	\$16,781
931	Water	\$92,192	\$0	\$0	\$92,192
932	Electricity	\$17,466	\$0	\$0	\$17,466
933	Gas	\$2,776	\$0	\$0	\$2,776
941	Ordinary Maintenance and Operations - Labor	\$92,931	\$0	\$0	\$92,931
942	Ordinary Maintenance and Operations - Materials and Other	\$68,159	\$0	\$0	\$68,159
943	Ordinary Maintenance and Operations - Contract Costs	\$74,905	\$0	\$0	\$74,905
945	Employee Benefit Contributions - Ordinary Maintenance	\$76,969	\$0	\$0	\$76,969
961	Insurance Premiums	\$35,546	\$6,515	\$0	\$42,061
963	Payments in Lieu of Taxes	\$1,784	\$0	\$0	\$1,784
964	Bad Debt - Tenant Rents	\$20,650	\$0	\$0	\$20,650
969	Total Operating Expenses	\$656,021	\$183,929	\$49,260	\$889,210
970	Excess Operating Revenue over Operating Expenses	(\$6,166)	\$834,598	\$283,773	\$1,112,205
973	Housing Assistance Payments	\$0	\$795,329	\$0	\$795,329

Adams Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
September 30, 2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
974	Depreciation Expense	\$257,038	\$11,645	\$24,523	\$293,206
900	Total Expenses	\$913,059	\$990,903	\$73,783	\$1,977,745
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$263,204)	\$27,624	\$259,250	\$23,670
1103	Beginning Equity	\$5,068,610	\$108,097	\$554,603	\$5,731,310
	Ending Equity	\$4,805,406	\$135,721	\$813,853	\$5,754,980
1120	Unit Months Available	1,649	2,985	0	4,634
1121	Number of Unit Months Leased	1,561	2,904	0	4,465
1117	Administrative Fee Equity	\$0	(\$17,375)	\$0	(\$17,375)
1118	Housing Assistance Payments Equity	\$0	\$153,096	\$0	\$153,096

Adams Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended September 30, 2007

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$493,255
Housing Choice Vouchers	14.871	1,010,401
Public Housing Capital Fund Program	14.872	<u>333,033</u>
TOTAL AWARDS		<u><u>\$1,836,689</u></u>



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

Board of Directors
Adams Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of Adams Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2007, which collectively comprise the Adams Metropolitan Housing Authority, Ohio's basic financial statements and have issued my report thereon dated June 16, 2008. 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Adams 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 financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams Metropolitan Housing Authority, Ohio's Financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Salvatore Consiglio, CPA, Inc.

June 16, 2008



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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
Adams Metropolitan Housing Authority

Compliance

I have audited the compliance of the Adams Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2007. Adams 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 Adams Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Adams 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 Adams 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 Adams Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Adams Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2007-AMHA-1.

Internal Control Over Compliance

The management of Adams 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 Adams 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Adams Metropolitan Housing Authority, Ohio response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Adams Metropolitan Housing Authority, Ohio response and, accordingly, I express no opinion on it.

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

Salvatore Consiglio, CPA, Inc.
June 16, 2008

Adams Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2007

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

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

There are no finding for the year ended September 30, 2006.

Adams Metropolitan Housing Authority
Schedule of Prior Audit Findings
September 30, 2007

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

REPORTABLE NONCOMPLIANCE

FINDING NUMBER	2007-AMHA-1
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Negative Administrative Fee Equity

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

U.S. Department of Housing and Urban Development notice PIH 2006-03 issued on January 11, 2006 states:

“Starting January 1, 2005, excess budget authority disbursed to PHAs that is not utilized to pay Housing Assistance Payments (HAP) will become part of the undesignated fund balance account in accordance with GAAP and may only be used to assist additional families up to the number of units under contract...”

Analysis of current year Housing Choice Voucher Program expenses revealed that the PHA reported a negative Administration Fee Equity of \$17,375. It is believed that this negative equity was covered with housing assistance money received from HUD. As noted above notice PIH 2006-03 specifically states that HAP money can only be used to cover expenses for providing Housing Assistance. Therefore, Adams Metropolitan Housing Authority did not comply with the above notice and HAP reserve balance must be reimbursed \$17,375 to cover the over expenditure in the administrative funds incurred in fiscal year 2007.

Recommendation: Adams Metropolitan Housing Authority must reimburse the \$17,375 over expenditure in the administrative funds incurred in fiscal year 2007. In addition, Adams Metropolitan Housing Authority must review its administration expenses for the voucher program and take appropriate action to ascertain that expenses are within the funding provided by HUD.

PHA Response:

In response to the Audit Finding for Fiscal Year Ending September 30, 2007, for Adams Metropolitan Housing Authority. I would like to offer the remedy that the housing authority has implemented since May 2008.

Adams Metropolitan Housing Authority
Schedule of Prior Audit Findings (Cont'd)
September 30, 2007

PHA Response (Cont'd):

During the fiscal year 09/30/07, the housing authority received \$39,987 from the 2005 Section 8 Settlement. The housing authority, after conversing with our fee accountant, used this money for administrative expenses in the Section 8 program. To our knowledge, we were not aware that the settlement money could only be used for the Section 8 HAP payments, but any expenses for the Section 8 program.

Due to being under-leased and the increasing cost of employee benefits, the administrative fees we receive have not been enough to cover the expenses of our two-person Section 8 staff. With the audit adjustment for the \$39,987 settlement money, this caused the HCV actual cash reserve balance to be in the negative for the FYE of 09/30/07 by \$17,375.00.

The housing authority has since made significant changes to the program in order to help with the shortfall of our administrative expenses. We have contracted out our S-8 inspector to Jackson Metropolitan Housing Authority, one day per week in order to generate extra income, which will supplement the administrative expenses.

In addition, the housing authority has been issuing more vouchers and is striving to meet our baseline goal of 288, so that our HAP & Admin fees will increase. We are also increasing the minimum rent in order to seek out the perfect balance between the funds received to operate the program and the 288 baseline units we have been issued.

As Executive Director of Adams Metropolitan Housing Authority, I am responsible for overseeing these changes and feel that they will be beneficial to the Section 8 program. I believe that these actions have already been implemented. If you need additional information, please contact me at the address or phone number listed above, or by email at: rick_bowman@adamshousing.org.

Adams Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 September 30, 2007

The following is the status of the September 30, 2006 audit finding.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-AMHA-1	Unaudited financial statements filed late	Yes	Finding fully corrected. Financial statement filed within 60 days from the end of the fiscal year.



Mary Taylor, CPA
Auditor of State

ADAMS METROPOLITAN HOUSING AUTHORITY

ADAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2008**