

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

of the

**FAIRFIELD METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended December 31, 2009



Mary Taylor, CPA
Auditor of State

Board of Directors
Fairfield Metropolitan Housing Authority
315 North Columbus Street
Lancaster, Ohio 43130

We have reviewed the *Independent Auditors' Report* of the Fairfield Metropolitan Housing Authority, Fairfield County, prepared by Jones, Cochenour & Co., for the audit period January 1, 2009 through December 31, 2009. 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 Fairfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2010

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**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the business-type activities of Fairfield Metropolitan Housing Authority, as of and for the year ended December 31, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Fairfield Metropolitan Housing Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Fairfield Metropolitan Housing Authority, as of December 31, 2009, and the results of its operations and the cash flows of its proprietary fund activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2010 on our consideration of Fairfield Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements of the Authority taken as a whole. The FDS schedule and cost certification are presented for purposes of additional analysis and are not a required part of the financial statements of the Fairfield Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.
June 2, 2010

much more than an accounting firm

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2009**

Unaudited

It is a privilege to present for you the financial picture of Fairfield Metropolitan Housing Authority. The Fairfield 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 financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

The Authority's programs for the single enterprise fund are: Conventional Public Housing, Capital Fund Program (CFP), Housing Choice Voucher Program, Hope I, Disaster Housing Assistance DHAP and Other Business Activities (OBA).

- The revenue increased by \$377,190 (or 7.1%) during 2009, and was \$5,659,969 and \$5,282,779 for 2009 and 2008, respectively.
- The total expenses increased by \$269,947 (4.6%). Total expenses were \$6,083,115 and \$5,813,168 for 2009 and 2008, respectively.
- During 2009, the nonprofit corporation Fairfield Housing, Inc. was deemed an instrumentality of the Authority and will be listed as an Other Business Activity. Therefore, for comparison purposes it is not in the 2008 numbers.

USING THIS ANNUAL REPORT

The following graphic outlines the format of these financial statements:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~

The clearly preferable focus is on the Authority as a single enterprise fund. This format allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended December 31, 2009

Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the 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 known 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 to 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 (as applicable):

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 Debt”, or “Restricted Net Assets”. This account resembles the old operating reserves account.

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as 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, investing activities, and from capital and related financing activities.

The Authority’s programs that are consolidated into a single enterprise fund are as follows:

Projects (PH & CF) – Under the Projects 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority’s physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the Authority’s units.

Hope I – A grant program to develop and implement homeownership programs for low-income people.

Other Business Activity (OBA) – Represents activities of the authority that include providing affordable housing for low-income people outside of the scope of the conventional and housing choice voucher programs and includes properties transferred to the Authority in 2007 from Lancaster Community Housing Corporation (Non-profit organization). This account also represents the non-profit organization which was defined by resolution during 2009 as an instrumentality of the Authority. The non-profit organization’s new legal name is Fairfield Housing, Inc. effective June 10, 2009. The non-profit activity will be listed as an OBA for FDS purposes.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended December 31, 2009

Unaudited

Disaster Housing Assistance Program (DHAP) – The United States Department of Housing and Urban Development (HUD) is taking over long-term rental assistance for eligible families displaced by Hurricane Katrina and Rita from the Federal Emergency Management Agency (FEMA) through a program called Disaster Housing Assistance Program (DHAP). With an interagency agreement between HUD and FEMA, DHAP will be administered through local housing authorities and will be vital for helping families return to self-sufficiency. Participants on the program receive a Housing Choice Voucher.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Family Unification Program (FUP) – This Program provides Section 8 rental assistance to families eligible for the Housing Choice Voucher program and whose lack of adequate housing has been determined from the local public welfare agency as the primary reason that the family's child(ren) may be placed in out-of-home care.

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to prior year.

TABLE 1
STATEMENT OF NET ASSETS

	2009	2008
Current and other assets	\$ 2,156,631	\$ 1,680,696
Capital assets	6,043,215	6,374,495
TOTAL ASSETS	8,199,846	8,055,191
Current liabilities	583,358	167,655
Long-term liabilities	65,062	54,110
TOTAL LIABILITIES	648,420	221,765
Net Assets:		
Invested in capital assets, net of related debt	6,043,215	6,374,495
Restricted net assets - HAP	313,877	226,021
Unrestricted	1,194,334	1,232,910
TOTAL NET ASSETS	\$ 7,551,426	\$ 7,833,426

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Current assets include HAP and administrative subsidy received in December for January 2010 in the amount of \$421,096. This is included in the cash balance. Another event during the year regarding the non-profit organization which was not included in the prior year and had an ending cash balance of \$103,593. These two items account for the significant difference between the years. Current liabilities include deferred revenue of \$412,096 as noted for Section 8, HAP and Administration subsidies. Invested in capital assets net of related debt changes can be analyzed from Table 4 of the MD&A.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended December 31, 2009**

Unaudited

**TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The following schedule compares the revenues and expenses for the current and previous year.

	<u>2009</u>	<u>2008</u>
Revenues		
Tenant Revenue - Rents and Other	\$ 299,536	\$ 339,606
Operating Subsidies and Grants	5,311,360	4,769,267
Capital Grants	36,671	151,508
Investment Income	12,402	22,398
TOTAL REVENUE	<u>5,659,969</u>	<u>5,282,779</u>
Expenses		
Administrative	1,025,378	915,073
Tenant Services	-	264
Utilities	20,565	19,488
Maintenance	190,496	175,637
General	30,033	31,129
PILOT	19,992	25,969
Housing Assistance Payment	4,301,151	4,248,190
Depreciation	386,909	379,106
Severance Expense	103,499	-
Bad Debt/Fraud Losses	5,092	18,312
TOTAL EXPENSES	<u>6,083,115</u>	<u>5,813,168</u>
CHANGE IN NET ASSETS	<u>\$ (423,146)</u>	<u>\$ (530,389)</u>

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

In 2009 the Authority received \$427,256 more in HAP operating subsidies and grant funding than in 2008, which accounts for most of the difference in total revenue between the years.

Total expenses increase is mostly due to the severance expense during the year of \$103,499 and the increase in HAP expenses. Administration costs increase of \$110,305 is due to modest increases in salaries and increases in the cost of benefits.

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended December 31, 2009**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had \$6,043,215 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$331,280.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2009	2008
Land and Land Rights	\$ 994,621	\$ 994,621
Buildings	9,826,839	9,810,167
Equipment - Administrative	398,255	367,954
Equipment - Dwellings	53,252	33,253
Leasehold Improvements	140,286	140,286
Accumulated Depreciation	(5,370,038)	(4,971,786)
TOTAL	\$ 6,043,215	\$ 6,374,495

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE - NET	\$ 6,374,495	
Additions - HOPE project	1,464	
Additions - Section 8	4,550	
Net Transfer in - Fairfield Housing, Inc.	12,944	
Additions - Capital Funds	36,671	
Depreciation Expense	(386,909)	
ENDING BALANCE	\$ 6,043,215	
Depreciation Expense - Section 8	\$ 10,346	
Depreciation Expense - Fairfield Housing, Inc.	\$ 3,618	
Depreciation Expense - Capital Funds	15,922	
Depreciation Expense - OBA	12,488	
Depreciation Expense - PH	344,430	
Depreciation Expense - HOPE	105	
TOTAL DEPRECIATION	\$ 386,909	

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended December 31, 2009**

Unaudited

DEBT ADMINISTRATION

During the year the Authority had no debt (bonds, notes, etc.) outstanding.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- **Federal funding levels of 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**
- **Market rates for rental housing**

IN CONCLUSION

Fairfield Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Bruce Burns, Executive Director of the Fairfield Metropolitan Housing Authority at (740) 653-6618.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
December 31, 2009

ASSETS

Cash and cash equivalents	\$	1,055,588
Restricted cash and cash equivalents		803,572
Investments		124,977
Receivables - net of allowance		116,423
Inventories - net of allowance		13,905
Prepaid expenses and other assets		25,366
TOTAL CURRENT ASSETS	\$	<u>2,139,831</u>

CAPITAL ASSETS

Land		994,621
Other capital assets - net		5,048,594
		<u>6,043,215</u>

OTHER ASSETS

Mortgage receivable		16,800
		<u>16,800</u>

TOTAL ASSETS **8,199,846**

LIABILITIES

Accounts payable		8,917
Intergovernmental payables		20,019
Accrued wages/payroll taxes		48,238
Accrued compensated absences - current		34,952
Tenant security deposits		49,125
Deferred revenue		421,799
TOTAL CURRENT LIABILITIES		<u>583,050</u>

FSS/ Health insurance liability		65,062
Non-current compensated absences		308
TOTAL LIABILITIES		<u>648,420</u>

NET ASSETS

Invested in capital assets - net of related debt		6,043,215
Restricted net assets		313,877
Unrestricted net assets		1,194,334
		<u>1,194,334</u>
NET ASSETS	\$	<u><u>7,551,426</u></u>

See accompanying notes to the basic financial statements

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2009

OPERATING REVENUES	
Tenant revenue	\$ 259,719
Operating Subsidies and Grants	5,311,360
Other Revenues	<u>39,817</u>
TOTAL OPERATING REVENUES	5,610,896
 OPERATING EXPENSES	
Administrative	1,025,378
Tenant services	
Utilities	20,565
Maintenance	190,496
General	30,033
PILOT	19,992
Housing assistance payments	4,301,151
Depreciation	386,909
Severance expense	103,499
Bad debt / Fraud losses	<u>5,092</u>
TOTAL OPERATING EXPENSES	<u>6,083,115</u>
OPERATING LOSS	(472,219)
 NON-OPERATING REVENUE	
Interest income	12,402
HUD capital grants	<u>36,671</u>
TOTAL NON-OPERATING REVENUE	<u>49,073</u>
CHANGE IN NET ASSETS	(423,146)
NET ASSETS BEGINNING OF YEAR, RESTATED	<u>7,974,572</u>
NET ASSETS END OF YEAR	<u>\$ 7,551,426</u>

See accompanying notes to the basic financial statements

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from HUD	\$	5,868,477
Cash received from tenants		258,388
Cash received from other revenue		38,099
Cash payments for housing assistance payments		(4,301,151)
Cash payments for other operating expenses		(1,376,327)
Cash payments to HUD and other government		(22,742)
		464,744
NET CASH PROVIDED BY OPERATING ACTIVITIES		464,744

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants received for capital assets		36,671
Acquisition of capital assets		(42,685)
		(6,014)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(6,014)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments		17,000
Investment income		12,402
		29,402
NET CASH PROVIDED BY INVESTING ACTIVITIES		29,402

CHANGE IN CASH AND CASH EQUIVALENTS		488,132
CASH AND CASH EQUIVALENTS, BEGINNING, RESTATED		1,371,028
CASH AND CASH EQUIVALENTS, ENDING	\$	1,859,160

RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES:

Operating loss	\$	(472,219)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		386,909
(Increase) decrease in:		
Receivables - net of allowance		130,396
Inventories - net of allowance		(203)
Prepaid expenses and other assets		(4,938)
Increase (decrease) in:		
Accounts payable		(24,025)
Accrued wages and payroll taxes		10,262
Accrued compensated absences		7,088
Accounts payable - other government		(2,750)
Tenant security deposits		1,065
FSS/Health insurance liability		11,360
Deferred revenue		421,799
		464,744
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	464,744

See accompanying notes to the basic financial statements

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Fairfield Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

The Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- The financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.

Reporting Entity

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

The accompanying 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.

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 organizations.

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 in net assets, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for all of its 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.

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

Projects (PH& CF) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Hope I – A grant program to develop and implement homeownership programs for low-income people.

Other Business Activity (OBA) – Represents activities of the authority that include providing affordable housing for low-income people outside of the scope of the conventional and housing choice voucher programs and includes properties transferred to the authority in 2007 from Lancaster Community Housing Corporation renamed Fairfield Housing Incorporation (Non-profit organization).

Disaster Housing Assistance Program (DHAP) – The United States Department of Housing and Urban Development (HUD) is taking over long-term rental assistance for eligible families displaced by Hurricanes Katrina and Rita from the Federal Emergency Management Agency (FEMA) through a program called Disaster Housing Assistance Program (DHAP). With an interagency agreement between HUD and FEMA, DHAP will be administered through local housing authorities and will be vital for helping families return to self-sufficiency. Participants on this program receive a Housing Choice Voucher.

Resident Opportunity and Supportive Services (ROSS) - A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

Deferred Revenue

Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2009 for all programs totaled \$12,402. Certificates of deposits with maturities greater than three months are considered investments.

Capital Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority's capitalization policy is \$2,000. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

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 balances 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 either by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Operating expenses are those expenses that are generated from the primary activity of the proprietary fund.

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 absences accrual amount.

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables – net of allowance

Bad debts are provided on the allowance method based on management’s evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for receivables was \$95,400 at December 31, 2009.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,545 at December 31, 2009.

Due to/Due From Programs

These are reflected in the FDS and eliminated for the basic financial statement.

2. CASH AND INVESTMENTS

Cash

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

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority’s Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

Deposits: The carrying amount of the Authority's deposits totaled \$1,859,160. The corresponding bank balances totaled \$1,866,256.

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

Category 1:	\$250,000 was covered by federal depository insurance
Category 2:	\$1,616,256 was covered by specific collateral pledged by the financial institution in the name of the Authority.

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer’s investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer’s investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

2. CASH AND INVESTMENTS

Investments - Continued

agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The Authority had investments of Certificates of Deposits in excess of three months maturities in the amount of \$124,977 at December 31, 2009.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The investments of the Authority are classified as Category A.

3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

4. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage's and no settlements exceeded insurance coverage during the past three years.

5. CAPITAL ASSETS

The following is a summary of capital assets:

	<u>Balance 12/31/2008</u>	<u>Net Additions/ Reclassifications</u>	<u>Transfer from Fairfield Housing, Inc.</u>	<u>Balance 12/31/2009</u>
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$ 994,621	\$ -	\$ -	\$ 994,621
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	994,621	-	-	994,621
CAPITAL ASSETS BEING DEPRECIATED				
Building and Improvements	\$ 9,950,453	\$ 16,672		\$ 9,967,125
Furniture and Equipment	401,207	26,013	24,287	451,507
Totals at Historical Costs	<u>10,351,660</u>	<u>42,685</u>	<u>24,287</u>	<u>10,418,632</u>
Less: Accumulated Depreciation	<u>(4,971,786)</u>	<u>(386,909)</u>	<u>(11,343)</u>	<u>(5,370,038)</u>
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	<u>5,379,874</u>	<u>(344,224)</u>	<u>12,944</u>	<u>5,048,594</u>
TOTAL CAPITAL ASSETS	<u>\$ 6,374,495</u>	<u>\$ (344,224)</u>	<u>\$ 12,944</u>	<u>\$ 6,043,215</u>
Accumulated Depreciation by Class:				
Building and Improvements				\$ 5,017,846
Furniture and Fixtures				352,192
TOTAL ACCUMULATED DEPRECIATION				<u>\$ 5,370,038</u>

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009**

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

- a. The Traditional Pension Plan (TP) – cost-sharing multiple-employer defined benefit pension plan.
- b. The Member-Directed Plan (MD) – 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-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- c. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional 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.

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by statute per Chapter 145 of the Ohio Revised Code. OPERS 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 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 10 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 14 percent of covered payroll during 2009. The Authority's required contributions, including the pick up portion for certain employees for the years ended December 31, 2009, 2008 and 2007 were \$96,640, \$70,465 and \$73,198 respectively. All required payments of contributions have been made through December 31, 2009.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Pension must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code provides statutory authority for employer contributions. In 2007, state and local employers contributed at a rate of 14.0%. The portion of employer contributions, for all employers, allocated to health care was 5.5% for the year ended 12/31/09.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of Post-employment health care.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

C. Summary of Assumptions:

Actuarial Review – The assumptions and calculations below were based on OPERS’ latest actuarial review performed as of December 31, 2007.

Funding Method- The individual entry age 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.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2007 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 4.00% for the next 7 years. In subsequent years, (8 and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

D. OPEB is advance-funded on an actuarially determined basis. The following disclosures are required:

- 1. The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 364,076.**
- 2. Actual Authority contributions for 2009 which were used to fund post-employment benefits were \$48,320.**
- 3. The amount of \$12.8 billions represents the actuarial value of OPERS’ net assets available for OPEB at December 31, 2007.**
- 4. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$29.8 billion and \$17.0 billion, respectively.**

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2009, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by Housing and Urban Development.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2009

9. RESTATED BEGINNING NET ASSETS

In 2009, Fairfield Housing, Inc. (a nonprofit) became an instrumentality of the Authority. An instrumentality is a subsidiary of government created for a special purpose. The net assets of \$141,146 were included in the Authority's beginning net assets and restated as follows:

Beginning Net Assets	
Fairfield Metropolitan Housing Authority	\$ 7,833,426
Fairfield Housing, Inc.	<u>141,146</u>
Beginning Net Assets, Restated	<u><u>\$ 7,974,572</u></u>

10. SUBSEQUENT EVENTS

There were no subsequent events through June 2, 2010, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2009

	Project Total	14,871 Housing Choice Vouchers	14,858 Hope I	1 Business Activities	97,109 Disaster Housing Assistance Grant	14,870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$346,323	\$420,477	\$101,039	\$187,749			\$1,055,588		\$1,055,588
112 Cash - Restricted - Modernization and Development		\$709,776					\$709,776		\$709,776
113 Cash - Other Restricted		\$44,671					\$44,671		\$44,671
114 Cash - Tenant Security Deposits	\$44,200			\$4,925			\$49,125		\$49,125
100 Total Cash	\$390,523	\$1,174,924	\$101,039	\$192,674	\$0	\$0	\$1,859,160	\$0	\$1,859,160
122 Accounts Receivable - HUD Other Projects	\$66,994						\$66,994		\$66,994
124 Accounts Receivable - Other Government		\$2,393		\$5,404			\$7,797		\$7,797
125 Accounts Receivable - Miscellaneous		\$6,664	\$327	\$1,867		\$4,105	\$12,963		\$12,963
126 Accounts Receivable - Tenants	\$4,324						\$4,324		\$4,324
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,500						-\$1,500		-\$1,500
128 Fraud Recovery		\$119,611					\$119,611		\$119,611
128.1 Allowance for Doubtful Accounts - Fraud		-\$93,900					-\$93,900		-\$93,900
129 Accrued Interest Receivable	\$134						\$134		\$134
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$69,952	\$34,768	\$327	\$7,271	\$0	\$4,105	\$116,423	\$0	\$116,423
131 Investments - Unrestricted	\$124,977						\$124,977		\$124,977
142 Prepaid Expenses and Other Assets	\$17,241	\$5,638	\$926	\$1,561			\$25,366		\$25,366
143 Inventories	\$15,450						\$15,450		\$15,450
143.1 Allowance for Obsolete Inventories	-\$1,545						-\$1,545		-\$1,545
144 Inter Program Due From	\$118,710						\$118,710	-\$118,710	\$0
150 Total Current Assets	\$735,308	\$1,215,330	\$102,292	\$201,506	\$0	\$4,105	\$2,258,541	-\$118,710	\$2,139,831
161 Land	\$895,931			\$98,690			\$994,621		\$994,621
162 Buildings	\$9,470,678			\$356,161			\$9,826,839		\$9,826,839
163 Furniture, Equipment & Machinery - Dwellings	\$53,252						\$53,252		\$53,252
164 Furniture, Equipment & Machinery - Administration	\$254,936	\$108,582	\$1,464	\$33,273			\$398,255		\$398,255
165 Leasehold Improvements	\$69,680			\$70,606			\$140,286		\$140,286
166 Accumulated Depreciation	-\$5,113,134	-\$70,086	-\$105	-\$186,713			-\$5,370,038		-\$5,370,038
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,631,343	\$38,496	\$1,359	\$372,017	\$0	\$0	\$6,043,215	\$0	\$6,043,215
171 Notes, Loans and Mortgages Receivable - Non-Current				\$16,800			\$16,800		\$16,800
180 Total Non-Current Assets	\$5,631,343	\$38,496	\$1,359	\$388,817	\$0	\$0	\$6,060,015	\$0	\$6,060,015
190 Total Assets	\$6,366,651	\$1,253,826	\$103,651	\$590,323	\$0	\$4,105	\$8,318,556	-\$118,710	\$8,199,846

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2009

	Project Total	14.871 Housing Choice Vouchers	14.858 Hope I	1 Business Activities	97.109 Disaster Housing Assistance Grant	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$3,660	\$4,239	\$89	\$929			\$8,917		\$8,917
321 Accrued Wage/Payroll Taxes Payable	\$16,932	\$26,967	\$2,989	\$1,350			\$48,238		\$48,238
322 Accrued Compensated Absences - Current Portion	\$11,388	\$20,817	\$2,102	\$645			\$34,952		\$34,952
333 Accounts Payable - Other Government	\$20,019						\$20,019		\$20,019
341 Tenant Security Deposits	\$44,200			\$4,925			\$49,125		\$49,125
342 Deferred Revenues		\$421,096		\$703			\$421,799		\$421,799
347 Inter Program - Due To	\$0			\$114,605		\$4,105	\$118,710	-\$118,710	\$0
310 Total Current Liabilities	\$96,199	\$473,119	\$5,180	\$123,157	\$0	\$4,105	\$701,760	-\$118,710	\$583,050
353 Non-current Liabilities - Other		\$65,062					\$65,062		\$65,062
354 Accrued Compensated Absences - Non Current				\$308			\$308		\$308
350 Total Non-Current Liabilities	\$0	\$65,062	\$0	\$308	\$0	\$0	\$65,370	\$0	\$65,370
300 Total Liabilities	\$96,199	\$538,181	\$5,180	\$123,465	\$0	\$4,105	\$767,130	-\$118,710	\$648,420
508.1 Invested In Capital Assets, Net of Related Debt	\$5,631,343	\$38,496	\$1,359	\$372,017	\$0	\$0	\$6,043,215		\$6,043,215
511.1 Restricted Net Assets	\$0	\$313,877	\$0	\$0	\$0	\$0	\$313,877		\$313,877
512.1 Unrestricted Net Assets	\$639,109	\$363,272	\$97,112	\$94,841	\$0	\$0	\$1,194,334		\$1,194,334
513 Total Equity/Net Assets	\$6,270,452	\$715,645	\$98,471	\$466,858	\$0	\$0	\$7,551,426	\$0	\$7,551,426
600 Total Liabilities and Equity/Net Assets	\$6,366,651	\$1,253,826	\$103,651	\$590,323	\$0	\$4,105	\$8,318,556	-\$118,710	\$8,199,846

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, CHANGES IN NET ASSETS AND ENDING EQUITY
Year Ended December 31, 2009

	Project Total	14.871 Housing Choice Vouchers	14.858 Hope I	1 Business Activities	97.109 Disaster Housing Assistance Grant	14.870 Resident Opportunity and Supportive Services	Total
70300 Net Tenant Rental Revenue	\$210,127			\$45,924			\$256,051
70400 Tenant Revenue - Other	\$3,193			\$475			\$3,668
70500 Total Tenant Revenue	\$213,320	\$0	\$0	\$46,399	\$0	\$0	\$259,719
70600 HUD PHA Operating Grants	\$292,566	\$4,976,812			\$4,736	\$37,246	\$5,311,360
70610 Capital Grants	\$36,671						\$36,671
71100 Investment Income - Unrestricted	\$6,237	\$2,732	\$728	\$1,234			\$10,931
71400 Fraud Recovery	\$1,540	\$21,642					\$23,182
71500 Other Revenue	\$195	\$6,323	\$3,662	\$6,455			\$16,635
72000 Investment Income - Restricted		\$1,471					\$1,471
70000 Total Revenue	\$550,529	\$5,008,980	\$4,390	\$54,088	\$4,736	\$37,246	\$5,659,969
91100 Administrative Salaries	\$145,281	\$394,139	\$45,563	\$12,710		\$27,950	\$625,643
91200 Auditing Fees	\$3,024	\$4,613					\$7,637
91400 Advertising and Marketing	\$792	\$1,707					\$2,499
91500 Employee Benefit contributions - Administrative	\$46,595	\$110,868	\$18,218	\$2,694		\$9,296	\$187,671
91600 Office Expenses	\$47,494	\$96,144		\$12,552	\$11,471		\$167,661
91700 Legal Expense	\$5,941	\$11,211					\$17,152
91800 Travel	\$1,996	\$7,249		\$76			\$9,321
91900 Other			\$5,093				\$5,093
91000 Total Operating - Administrative	\$251,123	\$625,931	\$68,874	\$28,032	\$11,471	\$37,246	\$1,022,677
93100 Water	\$1,811	\$836		\$491			\$3,138
93200 Electricity	\$4,718	\$4,056		\$664			\$9,438
93300 Gas	\$2,341	\$2,065		\$1,967			\$6,373
93600 Sewer	\$1,033	\$226		\$357			\$1,616
93000 Total Utilities	\$9,903	\$7,183	\$0	\$3,479	\$0	\$0	\$20,565
94100 Ordinary Maintenance and Operations - Labor	\$64,321			\$6,021			\$70,342
94200 Ordinary Maintenance and Operations - Materials and Other	\$62,622			\$3,404			\$66,026
94300 Ordinary Maintenance and Operations Contracts	\$28,553			\$6,169			\$34,722
94500 Employee Benefit Contributions - Ordinary Maintenance	\$17,862			\$1,544			\$19,406
94000 Total Maintenance	\$173,358	\$0	\$0	\$17,138	\$0	\$0	\$190,496

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, CHANGES IN NET ASSETS AND ENDING EQUITY- CONTINUED
Year Ended December 31, 2009

	Project Total	14.871 Housing Choice Vouchers	14.858 Hope I	1 Business Activities	97.109 Disaster Housing Assistance Grant	14.870 Resident Opportunity and Supportive Services	Total
96110 Property Insurance	\$14,170	\$920		\$1,250			\$16,340
96120 Liability Insurance	\$4,306	\$840		\$478			\$5,624
96100 Total insurance Premiums	\$18,476	\$1,760	\$0	\$1,728	\$0	\$0	\$21,964
96200 Other General Expenses	\$4,513	\$1,113		\$2,443			\$8,069
96210 Compensated Absences	\$2,701						\$2,701
96300 Payments in Lieu of Taxes	\$19,992						\$19,992
96400 Bad debt - Tenant Rents	\$2,574						\$2,574
96600 Bad debt - Other		\$2,518					\$2,518
96800 Severance Expense		\$103,499					\$103,499
96000 Total Other General Expenses	\$29,780	\$107,130	\$0	\$2,443	\$0	\$0	\$139,353
96900 Total Operating Expenses	\$482,640	\$742,004	\$68,874	\$52,820	\$11,471	\$37,246	\$1,395,055
97000 Excess of Operating Revenue over Operating Expenses	\$67,889	\$4,266,976	-\$64,484	\$1,268	-\$6,735	\$0	\$4,264,914
97300 Housing Assistance Payments		\$4,301,151					\$4,301,151
97400 Depreciation Expense	\$360,352	\$10,346	\$105	\$16,106			\$386,909
90000 Total Expenses	\$842,992	\$5,053,501	\$68,979	\$68,926	\$11,471	\$37,246	\$6,083,115
10010 Operating Transfer In	\$25,000						\$25,000
10020 Operating transfer Out	-\$25,000						-\$25,000
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$292,463	-\$44,521	-\$64,589	-\$14,838	-\$6,735	\$0	-\$423,146
11030 Beginning Equity	\$6,562,915	\$760,166	\$163,060	\$340,550	\$6,735	\$0	\$7,833,426
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			\$141,146			\$141,146
11170 Administrative Fee Equity		\$401,768					\$401,768
11180 Housing Assistance Payments Equity		\$313,877					\$313,877
11190 Unit Months Available	1152	10888	0	96		0	12136
11210 Number of Unit Months Leased	1139	10845	0	84		0	12068
11270 Excess Cash	\$571,168						\$571,168

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
PROJECT - STATEMENT OF REVENUES, EXPENSES, CHANGES IN NET ASSETS AND ENDING EQUITY
Year Ended December 31, 2009

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$210,127		\$210,127
70400 Tenant Revenue - Other	\$3,193		\$3,193
70500 Total Tenant Revenue	\$213,320	\$0	\$213,320
70600 HUD PHA Operating Grants	\$226,467	\$66,099	\$292,566
70610 Capital Grants		\$36,671	\$36,671
71100 Investment Income - Unrestricted	\$6,237		\$6,237
71400 Fraud Recovery	\$1,540		\$1,540
71500 Other Revenue	\$195		\$195
70000 Total Revenue	\$447,759	\$102,770	\$550,529
91100 Administrative Salaries	\$145,281		\$145,281
91200 Auditing Fees	\$3,024		\$3,024
91400 Advertising and Marketing	\$792		\$792
91500 Employee Benefit contributions - Administrative	\$46,595		\$46,595
91600 Office Expenses	\$47,494		\$47,494
91700 Legal Expense	\$5,941		\$5,941
91800 Travel	\$1,996		\$1,996
91000 Total Operating - Administrative	\$251,123	\$0	\$251,123
93100 Water	\$1,811		\$1,811
93200 Electricity	\$4,718		\$4,718
93300 Gas	\$2,341		\$2,341
93600 Sewer	\$1,033		\$1,033
93000 Total Utilities	\$9,903	\$0	\$9,903
94100 Ordinary Maintenance and Operations - Labor	\$64,321		\$64,321
94200 Ordinary Maintenance and Operations - Materials and Other	\$21,523	\$41,099	\$62,622
94300 Ordinary Maintenance and Operations Contracts	\$28,553		\$28,553
94500 Employee Benefit Contributions - Ordinary Maintenance	\$17,862		\$17,862
94000 Total Maintenance	\$132,259	\$41,099	\$173,358

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FAIRFIELD METROPOLITAN HOUSING AUTHORITY
PROJECT - STATEMENT OF REVENUES, EXPENSES, CHANGES IN NET ASSETS AND ENDING EQUITY -
CONTINUED
Year Ended December 31, 2009

	Low Rent	Capital Fund	Total Project
96110 Property Insurance	\$14,170		\$14,170
96120 Liability Insurance	\$4,306		\$4,306
96100 Total insurance Premiums	\$18,476	\$0	\$18,476
96200 Other General Expenses	\$4,513		\$4,513
96210 Compensated Absences	\$2,701		\$2,701
96300 Payments in Lieu of Taxes	\$19,992		\$19,992
96400 Bad debt - Tenant Rents	\$2,574		\$2,574
96000 Total Other General Expenses	\$29,780	\$0	\$29,780
96900 Total Operating Expenses	\$441,541	\$41,099	\$482,640
97000 Excess of Operating Revenue over Operating Expenses	\$6,218	\$61,671	\$67,889
97400 Depreciation Expense	\$344,430	\$15,922	\$360,352
90000 Total Expenses	\$785,971	\$57,021	\$842,992
10010 Operating Transfer In	\$25,000		\$25,000
10020 Operating transfer Out		-\$25,000	-\$25,000
10100 Total Other financing Sources (Uses)	\$25,000	-\$25,000	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$313,212	\$20,749	-\$292,463
11030 Beginning Equity	\$6,261,269	\$301,646	\$6,562,915
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$146,360	-\$146,360	\$0
11190 Unit Months Available	1152		1152
11210 Number of Unit Months Leased	1139		1139
11270 Excess Cash	\$571,168		\$571,168

See independent auditors' report

**FAIRFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
Year Ended December 31, 2009**

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850A	\$ 226,467
Public Housing Capital Fund	14.872	102,770
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	4,976,812
Resident Opportunity and Supportive Services	14.870	37,246
Disaster Housing Assistance Grant	97.109	4,736
Total - All Programs		\$ 5,348,031

See independent auditors' report



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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
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements for Fairfield Metropolitan Housing Authority as of and for the year ended December 31, 2009 and have issued our report thereon dated June 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard 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 our audit, we considered Fairfield Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairfield Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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Compliance and Other Matters

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

The authority's response to the findings is identified in our audit and is described in the accompanying schedule of findings. We did not audit the Authority's response, and accordingly, we express no opinion on it.

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



Jones, Cochenour & Co.
June 2, 2010



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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
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Fairfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended December 31, 2009. Fairfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fairfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Fairfield Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Fairfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Fairfield Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fairfield Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Jones, Cochenour & Co." with a stylized flourish at the end.

Jones, Cochenour & Co.
June 2, 2010

**Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505**

**Fairfield Metropolitan Housing Authority
December 31, 2009**

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies reported as a material weakness at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there material non-compliance at the financial statement level (GAGAS)?	No
Were there any significant deficiencies reported for any major federal programs as a material weakness?	No
Were there any other significant deficiencies in internal control reported for the major federal programs?	No
Type of Major Program Compliance Opinion	Unqualified
Are there any audit findings under § .510(a) of OMB Circular A-133?	No
Major Programs:	CFDA# 14.871 Section 8 Housing Choice Vouchers
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

**Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 - Continued**

**Fairfield Metropolitan Housing Authority
December 31, 2009**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings for the year ended December 31, 2009.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings for the year ended December 31, 2009.



Mary Taylor, CPA
Auditor of State

FAIRFIELD METROPOLITAN HOUSING AUTHORITY

FAIRFIELD 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
SEPTEMBER 2, 2010**