Fayette Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2009

Mary Taylor, CPA
Auditor of State

Board of Directors
Fayette Metropolitan Housing Authority
121 E. East Street
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditors' Report* of the Fayette Metropolitan Housing Authority, Fayette County, prepared by Salvatore Consiglio, CPA, Inc., 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 Fayette Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 30, 2010

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FAYETTE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

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Independent Auditors' Report

Board of Directors
Fayette Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Fayette Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fayette 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 Fayette Metropolitan Housing Authority, Ohio, as of December 31, 2009, 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 April 16, 2010, on my consideration of Fayette 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 consider 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 an opinion on the financial statements that collectively comprise the Fayette Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure 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 FDS Schedule Submitted to REAC is presented for purposes additional analysis as required by the Department of Housing and Urban Development 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 financial statements and, in my opinion, are fairly presented in all material respect in relation to the financial statements taken as a whole.

Salvatore Consiglio

Digitally signed by Salvatore Consiglio
DN: cn=Salvatore Consiglio, o=Salvatore Consiglio, CPA, Inc., ou, email=sconsiglio@aol.com, c=US
Date: 2010.07.26 11:38:50 -04'00'

Salvatore Consiglio, CPA, Inc.
April 16, 2010

FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2009

Unaudited

Fayette 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, and (d) identify individual 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 financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- During FY 2009, the Authority's net assets increased by $48,778. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were $528,256 and $577,034 for FY 2008 and FY 2009 respectively.

- The total revenue decreased by $53,169 (or 3.0%) during FY 2009, and was $1,759,001 and $1,705,832 for FY 2008 and FY 2009 respectively.

- The total expenses of the Authority decreased by $41,287 (or 2.4%). Total expenses were $1,698,341 and $1,657,054 for FY 2008 and FY 2009 respectively.

USING THIS ANNUAL REPORT

The 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 ~

FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2009

Unaudited

Basic Financial Statements **~ Authority-wide Financial Statements ~**

Other Required Supplementary Information **~ Required Supplementary Information ~** **(other than the MD&A)**

The primary focus of the Authority's financial statements is on both the Authority as a whole (Authority-wide).

Authority-Wide Financial Statements

The Authority-wide 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 <u>Statement of Net Assets</u>, 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 "<u>Unrestricted</u> 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:

<u>Net Assets, Invested in Capital Assets, Net of Related Debt</u>: 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".

The Authority-wide 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, 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.

Fund Financial Statements

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

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

The Authority's Programs

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

Other Programs - In addition to the housing choice voucher program, the Authority also operates the following programs:

Section 8 New Construction Program – provides housing assistance payments to participating owners on behalf of eligibly tenants occupying the units under a lease agreement between the landlords and tenants.

Business Activities – represents non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE 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

	2009	2008
Current and Other Assets	$ 686,969	$ 565,390
Capital Assets	886,337	922,506
Total Assets	$ 1,573,306	$ 1,487,896
Current Liabilities	$ 184,013	$ 263,469
Long-Term Liabilities	812,259	696,171
Total Liabilities	996,272	959,640
Net Assets:		
Investment in Capital Assets, net of Related Debt	74,582	106,387
Restricted net assets	153,182	98,993
Unrestricted Net Assets	349,270	322,876
Total Net Assets	577,034	528,256
Total Liabilities and Net Assets	$ 1,573,306	$ 1,487,896

For more detailed information see page 12 for the Statement of Net Assets.

Unaudited

Major Factors Affecting the Statement of Net Assets

Current assets increased by $121,579 or 21.5% in fiscal year 2009, while, total liabilities increased slightly by $36,632. The increase in current assets is mainly due to the increase in receivables from management fee earned in the current year. Total liabilities also increased during the year mainly due to the increase in deferred revenue for January 2010 subsidy received from HUD, net against the refinancing of loans on several properties.

Capital Assets decreased by $36,169. This decrease represents the purchase of computer equipment for $6,460 and purchase of a heating and cooling unit of $2,450 net against the current year's depreciation of $45,079. For more detail see "Capital Assets and Debt Administration".

TABLE 2

CHANGE OF TOTAL NET ASSETS

	Unrestricted	Restricted Net Assets	Investment in Capital Assets
Beginning Balance - December 31, 2008	$ 322,876	$ 98,993	$ 106,387
Results of Operations	(5,411)	54,189	-
Adjustments:			
Debt Retirements	(23,215)	-	23,215
Loan Refinance Proceeds	18,849	-	(18,849)
Current year Depreciation Expense (1)	45,079	-	(45,079)
Capital Expenditure	(8,910)	-	8,910
Rounding	2	-	(2)
Ending Balance - December 31, 2009	$ 349,270	$ 153,182	$ 74,582

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

While the result of operations is 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 in Business-Type Activities.

	2009	2008
Revenues		
Operating Grants	$ 1,483,103	$ 1,598,455
Investment Income	10,617	11,329
Tenant Revenue	91,127	102,299
Other Revenues	120,985	46,918
Total Revenues	**1,705,832**	**1,759,001**
Expenses		
Administrative	231,113	219,711
Maintenance	22,728	75,672
General & Interest Expenses	82,754	75,089
Housing Assistance Payaments	1,275,380	1,284,003
Depreciation	45,079	43,866
Total Expenses	**1,657,054**	**1,698,341**
Net Increases (Decreases)	**$ 48,778**	**$ 60,660**

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

The amount of HUD PHA Grants available for FY2009 includes administrative fees and Housing Assistance Payments for Housing Choice Voucher, Mainstream and SRO programs. Other revenues include Fraud Recovery, FSS forfeitures, TBRA/EA funding, and management fee earned for management of Highland Metropolitan Housing Authority.

The net decrease in total revenue of $53,169 for FY 2009 is due mainly to the decrease of HUD Grant Funds available of $81,352 and decrease in rental income of $11,172 from the business activities.

Total expenses decreased by $41,287. This decrease was mainly due the decrease in maintenance expenses of $52,944. All other expenses remained stable and only reflected inflation increases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2009, the Authority had $886,337 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of $36,169 from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	2009	2008
Buildings	$ 1,076,545	$ 1,076,545
Furniture, Equipment & Machinery	85,990	77,080
Accumulated Depreciation	(276,198)	(231,119)
Total	$ 886,337	$ 922,506

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 26 of the notes.

Unaudited

TABLE 5

CHANGE IN CAPITAL ASSETS (IN THOUSANDS)

Beginning Balance - December 31, 2008	$	922,506
Current year Additions		8,910
Current year Depreciation Expense		(45,079)
Ending Balance - December 31, 2009	$	886,337

Current year Additions are summarized as follows:		
- Computers	$	6,460
- A/C unit		2,450
Total Current Year Additions	$	8,910

Debt Outstanding

As of December 31, 2009, the Authority had $811,755 of debt outstanding as compared to $816,119 last year for a $4,364 net decrease as reflected below:

TABLE 6
CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance - January 1, 2009	$816,119
Current Year Loan Refinance Proceeeds	18,849
Current Year Loan Retirements	(23,215)
Rounding Adjustment	2
Ending Balance - December 31, 2009	$811,755

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Franco Palma; Executive Director for the Fayette Metropolitan Housing Authority, at (740) 335-7525. Specific requests may be submitted to the Authority at 121 E. East Street, Washington Court House, OH 43160.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2009

ASSETS	
Current assets	
Cash and cash equivalents	$336,857
Restricted cash and cash equivalents	199,340
Receivables, net	144,605
Prepaid expenses and other assets	6,167
Total current assets	***686,969***
Noncurrent assets	
Capital assets:	
Building and equipment	1,162,535
Less accumulated depreciation	(276,198)
Total noncurrent assets	***886,337***
Total assets	**$1,573,306**
LIABILITIES	
Current liabilities	
Accounts payable	$44,860
Tenant security deposits	2,794
Bonds, notes, and loans payable	26,672
Deferred revenue	93,499
Other current liabilities	16,188
Total current liabilities	***184,013***
Noncurrent liabilities	
Bonds, notes, and loans payable	785,083
Noncurrent liabilities - other	27,176
Total noncurrent liabilities	***812,259***
Total liabilities	**$996,272**
NET ASSETS	
Invested in capital assets, net of related debt	$74,582
Restricted net assets	153,182
Unrestricted net assets	349,270
Total net assets	**$577,034**

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

OPERATING REVENUES	
Tenant Revenue	$91,127
Government operating grants	1,483,103
Other revenue	120,985
Total operating revenues	**1,695,215**
OPERATING EXPENSES	
Administrative	231,113
Maintenance	22,728
General	33,070
Housing assistance payment	1,275,380
Depreciation	45,079
Total operating expenses	***1,607,370***
Operating income (loss)	**87,845**
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	10,617
Interest expense	(49,684)
Total nonoperating revenues (expenses)	***(39,067)***
Change in net assets	48,778
Total net assets - beginning	528,256
Total net assets - ending	**$577,034**

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type
For the year ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	$1,572,798
Other revenue received	7,142
Cash received from tenants	91,127
Cash payments for administrative	(339,825)
Cash payments for HAP	(1,275,380)
Net cash provided (used) by operating activities	**55,862**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	10,617
Net cash provided (used) by investing activities	**10,617**
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Repayment of debt	(23,215)
Acquisition of capital assets	(8,910)
Interest expense	(49,685)
Loan refinance proceeds	18,849
Net cash provided (used) by capital and related activities	**(62,961)**
Net increase (decrease) in cash	3,518
Cash and cash equivalents - Beginning of year	532,679
Cash and cash equivalents - End of year	**$536,197**

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2009

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	$87,845
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	45,079
- (Increases) Decreases in Accounts Receivable - HUD	(3,804)
- (Increases) Decreases in Accounts Receivable - Other	(113,840)
- (Increases) Decreases in Prepaid Assets	(424)
- (Increases) Decreases in Accrued Interest Receivable	10
- Increases (Decreases) in Accounts Payable	(27,035)
- Increases (Decreases) in Accounts Payable -HUD	(7,282)
- Increases (Decreases) in Deferred Revenue	93,499
- Increases (Decreases) in Other Current Liabilities	16,188
- Increases (Decreases) in Noncurrent Liabilities	(34,374)
Net cash provided by operating activities	**$55,862**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Fayette 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 Fayette 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.

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.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves their budget, the issuance of their debt or the levying of their taxes. Based upon the application of these criteria, the Authority has no component units.

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

In July 1999, the GASB issued GASB statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Government*. The effective date of the statement is for periods beginning after June 15, 2002. The statement requires enhanced disclosures and changes to the presentation of the financial statements.

The Authority has implemented GASB 34, noting that the inclusion of Management's Discussion and Analysis, the presentation of net assets, and the utilization of the direct method of cash flows are the changes made to the financial statements to comply with the requirement.

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

balances of any bonds, mortgages, notes or other borrowing 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 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 is similar to the former operating reserve account.

This new standard provides for significant changes in terminology; recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets; inclusion of management discussion and analysis as supplementary information; and other changes.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily though user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management a control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result form providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are rents collected form tenants and subsidies provided by federal agencies. The Authority also recognized as operating revenue and expenses the portion of interest on bonds and notes related to housing developments of the Authority and its partnerships. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of bond discounts. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt, restricted and unrestricted components.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as they are needed.

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 maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is designed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in self-balancing groups of accounts and accounting entities that are separate from the activities reported in other funds. A summary of each of these funds is provided below:

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8, other business activity and public housing 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund – (Continued)

costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

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

Investments

Investments are restricted by the provisions of the HUD Regulations. Investments are valued at market value. Interest income earned in fiscal year 2009 for both programs totaled $10,617.

Capital Assets

Capital assets over the Authority's capitalization threshold of $500 are recorded at cost and depreciated using the straight-line method over an estimated useful life of the assets. Donated capital assets are recorded at fair market value on the date of receipt. 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 following are the useful lives used for depreciation purposes:

Buildings – residential 27.5	Buildings – non residential 40
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	Land improvements 15

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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:

- 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting and Reporting for Nonexchange Transactions – (Continued)

by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as 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 specified 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due From/To Other Programs
Inter-program receivables and payables as of December 31, 2009 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

Operating Revenues and Expenses
Operating revenues are revenues 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 expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, tenant services, utilities, maintenance, protective services, general, depreciation, bad debts and housing assistance payments.

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

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.

Section 8 New Construction Program – Provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for very low income families at rents they can afford. Housing assistance payments are used to make up the difference between the approved rent due to the owner for the dwelling unit and the occupant family’s required contribution towards rent. Assisted families must pay the highest of 30 percent of their monthly adjusted family income, 10 percent of gross family income, or the portion of welfare assistance designated for housing toward rent.

Other Business Activities – Represents non HUD resources and derived from a variety of other activities mainly MRDD rentals.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts 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 uncollectable receivables was $9,791 at December 31, 2009.

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.

NOTE 2: CASH AND INVESTMENTS

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 withdrawable 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-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 account is 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 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

NOTE 2: CASH AND INVESTMENTS (Continued)

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.

At fiscal year end December 31, 2009, the carrying amount of the Authority's deposits totaled $536,197 and its bank balance was $545,106. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2009, $295,106 was exposed to custodial risk as discussed below, while $250,000 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

The restricted cash balance of $199,340 at December 31, 2009 represents the following:

- FSS Escrow cash balance	$ 43,364
- Excess HAP cash funds on Hand	$ 153,182
- Tenant Security Deposits	$ 2,794

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2009 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 and no settlements exceeded insurance coverage during the past three years.

NOTE 5*:* <u>CAPITAL ASSETS</u>

The following is a summary of changes:

	Balance 12/31/08	Adjustment	Additions	Deletion	Balance 12/31/09
Capital Assets Being Depreciated:					
Building	1,076,545	0	0	0	1,076,545
Furnt, Mach. and Equip. – Admin	57,154	0	6,460	0	63,614
Furnt, Mach. and Equip. – Dwelling	19,926	0	2,450	0	22,376
Total Capital Assets Being Depreciated	1,153,625	0	8,910	0	1,162,535
Accumulated Depreciation:					
Buildings	(177,476)	0	(35,552)	0	(213,028)
Furnt, Mach. and Equip. – Admin	(47,949)	0	(6,331)	0	(54,280)
Furnt, Mach. and Equip. - Dwelling	(5,694)	0	(3,196)	0	(8,890)
Total Accumulated Depreciation	(231,119)	0	(45,079)	0	(276,198)
Total Capital Assets Being Depreciated, Net	**922,506**	**0**	**(36,169)**	**0**	**886,337**
Total Capital Assets, Net	**$922,506**	**$0**	**($36,169)**	**$0**	**$886,337**

The depreciation expense for the year ended December 31, 2009 was $45,079.

NOTE 6: <u>CONTRACT SERVICES</u>

The authority contracts with:

- Fayette County to provide financial services for the housing authority. The authority does not have any employees; instead, services are subcontracted from Fayette County.

- Highland Metropolitan Housing Authority to provide management and financial reporting services. Compensation shall be based on the amount allowed by HUD for performing these services.

- Fayette County Board of Mental Retardation and Developmental Disabilities (MRDD) to provide a rent subsidy program for persons with mental retardation or other developmental disabilities. To provide these services, the authority acquired residential houses on behalf of the MRDD. The MRDD will maintain a legal interest in the property acquired with community assistance funds and will compensate the authority for housing expenses when vacancies occur in the properties.

NOTE 7: <u>LONG-TERM DEBT</u>

The authority has interest bearing notes that are payable to Merchants National Bank. The interest rates are noted and are due in monthly installments.

The summary of maturities of long-term debt for the nine homes purchased is as follows:

• Mortgage payable for property at 842 Lincoln St. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.50% at 20 years due on 5/8/29. Payments and interest are due monthly.	$74,612
• Mortgage payable for property at 364 Carolyn St. in Washington Court House, Ohio. The current structure of this loan is set for a fixed rate of 7.00% at 30 years due on 9/11/31. Payments and interest are due monthly.	65,195
• Mortgage payable for property at 834 Lincoln St. in Washington Court House, Ohio. The current structure of this loan is set for a fixed rate of 7.00% at 30 years due on 9/11/31. Payments and interest are due monthly.	65,195
• Mortgage payable for property at 1103 Golfview St. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments and interest are due monthly.	86,629

NOTE 7: LONG-TERM DEBT – (Continued)

• Mortgage payable for property at 594 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments and interest are due monthly.	80,340
• Mortgage payable for property at 388 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments and interest are due monthly.	51,622
• Mortgage payable for property at 780 Gregg St. in Washington Court House, Ohio. This property was purchased for the purpose of housing a shelter for women with domestic violence. The current structure of this loan is set for an ARM rate of 7.00% at 25 years due on 11/28/32. Payments and interest are due monthly.	193,778
• Mortgage payable for property at 1029 Fayette in Washington Court House, Ohio. The current structure of this loan is set for 6.5% interest rate for 20 years due on 5/8/29. Payments and interest are due monthly.	84,909
• Obligation with MRDD of which the housing authority received a grant with the condition that the grant funds is used to acquire several properties. The properties are then to be rented to MRDD clients for the next 15 years. As long as the authority complies with this restriction, the grant funds is forgiven for each year that has expired.	65,993
• Mortgage payable for property at 1412 Lindberg in Washington Court House, Ohio. The current structure of this loan is set for 5.5% interest rate for 25 years due on 03/28/33. Payments and interest are due monthly.	43,482
Total Outstanding Debt	811,755
Less Current Portion	26,672
Total Long-term Debt	$785,083

NOTE 7: LONG-TERM DEBT – (Continued)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2009:

DESCRIPTION	BALANCE 12/31/08	ISSUED	RETIRED	Round ADJ.	BALANCE 12/31/09	Due Within One Year
Loan Payable – Bank	$740,742	$18,849	$13,831	$2	$745,762	$17,288
MRDD Grant Funds Unexpired	75,377	0	9,384	0	65,993	9,384
TOTAL	$816,119	$18,849	$23,215	$2	$811,755	$26,672

Maturities of the debt over the next five years are as follows:

Years	Principal	Interest	Total
2010	$26,672	$49,010	$75,682
2011	27,855	47,827	75,682
2012	29,116	46,566	75,682
2013	30,465	45,217	75,682
2014	31,906	43,776	75,682
2015-2019	156,998	193,566	350,564
2020-2024	192,031	139,461	331,492
2025-2029	245,075	64,485	309,560
2030-2033	71,637	6,502	78,139
Total	**$811,755**	**$636,410**	**$1,448,165**

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NOTE 8: SCHEDULE OF EXPENDITURES AWARD

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.

Fayette Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2009

	Business Activities	Section 8 N/C	Housing Choice Vouchers	Supportive Housing	ELIM	Total
111 Cash - Unrestricted	$ 379	$ 28,489	$ 289,538	$ 18,451	$ -	$ 336,857
112 Cash - Restricted - Modernization	$ -	$ -	$ -	$ -	$ -	$ -
113 Cash - Other Restricted	$ 2,794	$ -	$ 196,546	$ -	$ -	$ 199,340
100 Total Cash	$ 3,173	$ 28,489	$ 486,084	$ 18,451	$ -	$ 536,197
122 Accounts Receivable - HUD Other Projects	$ -	$ 4,392	$ 13,300	$ 3,949	$ -	$ 21,641
125 Accounts Receivable - Miscellaneous	$ -	$ -	$ 122,843	$ -	$ -	$ 122,843
128 Fraud Recovery	$ -	$ -	$ 9,791	$ -	$ -	$ 9,791
128.1 Allowance for Doubtful Accounts - Fraud	$ -	$ -	$ (9,791)	$ -	$ -	$ (9,791)
129 Accrued Interest Receivable	$ -	$ -	$ 121	$ -	$ -	$ 121
120 Total Receivables, Net of Allowances for Doubtful Accounts	$ -	$ 4,392	$ 136,264	$ 3,949	$ -	$ 144,605
142 Prepaid Expenses and Other Assets	$ 6,167	$ -	$ -	$ -	$ -	$ 6,167
144 Inter Program Due From	$ -	$ -	$ 13,521	$ -	$ (13,521)	$ -
150 Total Current Assets	$ 9,340	$ 32,881	$ 635,869	$ 22,400	$ (13,521)	$ 686,969
162 Buildings	$ 1,076,545	$ -	$ -	$ -	$ -	$ 1,076,545
163 Furniture, Equipment & Machinery - Dwellings	$ 22,376	$ -	$ -	$ -	$ -	$ 22,376
164 Furniture, Equipment & Machinery - Administration	$ 15,477	$ -	$ 48,137	$ -	$ -	$ 63,614
166 Accumulated Depreciation	$ (236,459)	$ -	$ (39,739)	$ -	$ -	$ (276,198)

Fayette Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2009

	Business Activities	Section 8 N/C	Housing Choice Vouchers	Supportive Housing	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	$ 877,939	$ -	$ 8,398	$ -	$ -	$ 886,337
190 Total Assets	$ 887,279	$ 32,881	$ 644,267	$ 22,400	$ (13,521)	$ 1,573,306
312 Accounts Payable <= 90 Days	$ 358	$ -	$ 44,502	$ -	$ -	$ 44,860
341 Tenant Security Deposits	$ 2,794	$ -	$ -	$ -	$ -	$ 2,794
342 Deferred Revenues	$ -	$ -	$ 93,499	$ -	$ -	$ 93,499
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$ 26,672	$ -	$ -	$ -	$ -	$ 26,672
345 Other Current Liabilities	$ -	$ -	$ 16,188	$ -	$ -	$ 16,188
347 Inter Program - Due To	$ 13,521	$ -	$ -	$ -	$ (13,521)	$ -
310 Total Current Liabilities	$ 43,345	$ -	$ 154,189	$ -	$ (13,521)	$ 184,013
351 Capital Projects/Mortgage Revenue Bonds	$ 785,083	$ -	$ -	$ -	$ -	$ 785,083
353 Non-current Liabilities - Other	$ -	$ -	$ 27,176	$ -	$ -	$ 27,176
354 Accrued Compensated Absences - Non Current	$ -	$ -	$ -	$ -	$ -	$ -
350 Total Non-Current Liabilities	$ 785,083	$ -	$ 27,176	$ -	$ -	$ 812,259
300 Total Liabilities	$ 828,428	$ -	$ 181,365	$ -	$ (13,521)	$ 996,272
508.1 Invested In Capital Assets, Net of Related Debt	$ 66,184	$ -	$ 8,398	$ -	$ -	$ 74,582
511.1 Restricted Net Assets	$ -	$ -	$ 153,182	$ -	$ -	$ 153,182
512.1 Unrestricted Net Assets	$ (7,333)	$ 32,881	$ 301,322	$ 22,400	$ -	$ 349,270
513 Total Equity/Net Assets	$ 58,851	$ 32,881	$ 462,902	$ 22,400	$ -	$ 577,034

Fayette Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2009

	Business Activities	Section 8 N/C	Housing Choice Vouchers	Supportive Housing	ELIM	Total
600 Total Liabilities and Equity/Net Assets	$ 887,279	$ 32,881	$ 644,267	$ 22,400	$ (13,521)	$ 1,573,306
70300 Net Tenant Rental Revenue	$ 91,127	$ -	$ -	$ -	$ -	$ 91,127
70500 Total Tenant Revenue	$ 91,127	$ -	$ -	$ -	$ -	$ 91,127
70600 HUD PHA Operating Grants	$ -	$ 54,107	$ 1,171,394	$ 257,602	$ -	$ 1,483,103
70800 Other Government Grants	$ 34,000	$ -	$ -	$ -	$ -	$ 34,000
71100 Investment Income - Unrestricted	$ 23	$ 566	$ 5,542	$ 297	$ -	$ 6,428
71300 Proceeds from Disposition of Assets	$ -	$ -	$ -	$ -	$ -	$ -
71400 Fraud Recovery	$ -	$ -	$ 6,288	$ -	$ -	$ 6,288
71500 Other Revenue	$ 9,384	$ 196	$ 71,117	$ -	$ -	$ 80,697
72000 Investment Income - Restricted	$ -	$ -	$ 4,189	$ -	$ -	$ 4,189
70000 Total Revenue	$ 134,534	$ 54,869	$ 1,258,530	$ 257,899	$ -	$ 1,705,832
91200 Auditing Fees	$ -	$ 255	$ 4,017	$ 1,128	$ -	$ 5,400
91300 Management Fee	$ -	$ 4,706	$ 141,521	$ 20,391	$ -	$ 166,618
91310 Book-keeping Fee	$ 770	$ 215	$ 2,769	$ 932	$ -	$ 4,686
91400 Advertising and Marketing	$ -	$ 7	$ 93	$ 31	$ -	$ 131
91600 Office Expenses	$ 41	$ 1,780	$ 22,934	$ 7,715	$ -	$ 32,470
91800 Travel	$ -	$ 359	$ 4,626	$ 1,556	$ -	$ 6,541
91810 Allocated Overhead	$ -	$ -	$ -	$ -	$ -	$ -
91900 Other	$ -	$ 838	$ 10,797	$ 3,632	$ -	$ 15,267
91000 Total Operating - Administrative	$ 811	$ 8,160	$ 186,757	$ 35,385	$ -	$ 231,113

Fayette Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2009

	Business Activities	Section 8 N/C	Housing Choice Vouchers	Supportive Housing	ELIM	Total
94200 Ordinary Maintenance and Operations - Materials and Other	$ 16,200	$ 358	$ 4,617	$ 1,553	$ -	$ 22,728
94000 Total Maintenance	$ 16,200	$ 358	$ 4,617	$ 1,553	$ -	$ 22,728
96110 Property Insurance	$ 7,922	$ -	$ -	$ -	$ -	$ 7,922
96120 Workmen's Compensation	$ -	$ -	$ 3,873	$ -	$ -	$ 3,873
96140 All Other Insurance	$ -	$ 301	$ -	$ 1,303	$ -	$ 1,604
96100 Total insurance Premiums	$ 7,922	$ 301	$ 3,873	$ 1,303	$ -	$ 13,399
96200 Other General Expenses	$ 19,671	$ -	$ -	$ -	$ -	$ 19,671
96000 Total Other General Expenses	$ 19,671	$ -	$ -	$ -	$ -	$ 19,671
96710 Interest of Mortgage (or Bonds) Payable	$ 49,684	$ -	$ -	$ -	$ -	$ 49,684
96700 Total Interest Expense and Amortization Cost	$ 49,684	$ -	$ -	$ -	$ -	$ 49,684
96900 Total Operating Expenses	$ 94,288	$ 8,819	$ 195,247	$ 38,241	$ -	$ 336,595

Fayette Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2009

	Business Activities	Section 8 N/C	Housing Choice Vouchers	Supportive Housing	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	$ 40,246	$ 46,050	$ 1,063,283	$ 219,658	$ -	$ 1,369,237
97300 Housing Assistance Payments	$ 37,766	$ 44,197	$ 980,568	$ 212,849	$ -	$ 1,275,380
97400 Depreciation Expense	$ 41,399	$ 202	$ 2,603	$ 875	$ -	$ 45,079
90000 Total Expenses	$ 173,453	$ 53,218	$ 1,178,418	$ 251,965	$ -	$ 1,657,054
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$ (38,919)	$ 1,651	$ 80,112	$ 5,934	$ -	$ 48,778
11030 Beginning Equity	$ 97,770	$ 31,230	$ 382,790	$ 16,466	$ -	$ 528,256
Ending Equity	$ 58,851	$ 32,881	$ 462,902	$ 22,400	$ -	$ 577,034

11020 Required Annual Debt Principal Payments	$ -	$ -	$ -	$ -	$ -	$ -
11040 Prior Period Adjustment	$ -	$ -	$ -	$ -	$ -	$ -
11170 Administrative Fee Equity	$ -	$ -	$ 309,719	$ -	$ -	$ 309,719
11180 Housing Assistance Payments Equity	$ -	$ -	$ 153,183	$ -	$ -	$ 153,183
11190 Unit Months Available	187	204	2,964	900	-	4,255
11210 Number of Unit Months Leased	187	191	2,808	863	-	4,049
11270 Excess Cash	$ -	$ -	$ -	$ -	$ -	$ -
11610 Land Purchases	$ -	$ -	$ -	$ -	$ -	$ -
11620 Building Purchases	$ -	$ -	$ -	$ -	$ -	$ -
11630 Furniture & Equipment - Dwelling Purchases	$ -	$ -	$ -	$ -	$ -	$ -

Fayette Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended December 31, 2009

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	**CFDA NUMBER**	**EXPENDITURES**
U.S. Department of Housing and Urban Development Direct Program		
Supportive Housing for Persons with Disabilities	14.181	$257,602
N/C S/R Section 8 Programs	14.182	54,107
Housing Choice Voucher	14.871	1,171,394
Total Expenditure of Federal Award		$1,483,103

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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
Fayette Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Fayette Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the Fayette Metropolitan Housing Authority basic financial statements and have issued my report thereon dated April 16, 2010. 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Fayette Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider significant deficiencies in internal control over financial reporting: 2009-FMHA-1 through 2009-FMHA-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Fayette Metropolitan Housing Authority, Ohio responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Fayette Metropolitan Housing Authority, Ohio responses 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

Digitally signed by Salvatore Consiglio
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Salvatore Consiglio, CPA, Inc.
April 16, 2010

SALVATORE CONSIGLIO, CPA, INC.

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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
Fayette Metropolitan Housing Authority

Compliance

I have audited the compliance of the Fayette 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 December 31, 2009. Fayette 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 Fayette Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Fayette 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 Fayette 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 Fayette Metropolitan Housing Authority, Ohio's compliance with those requirements.

As described in item 2009-FMHA-1 through 2009-FMHA-3 in the accompanying schedule of findings and questioned costs, Fayette Metropolitan Housing Authority, Ohio did not comply with requirements regarding Allowable Costs / Cost Principles and Eligibility that are applicable to its Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for Fayette Metropolitan Housing Authority, Ohio to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, Fayette 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 December 31, 2009.

Internal Control Over Compliance

The management of Fayette 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 Fayette Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the Authority's internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-FMHA-1 through 2009-FMHA-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Fayette Metropolitan Housing Authority responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Fayette Metropolitan Housing Authority 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

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Salvatore Consiglio, CPA, Inc.
April 16, 2010

Fayette Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material internal control weakness identified at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control identified at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness identified over major federal programs?	No
Were there any other significant deficiencies in internal control reported for the major federal programs?	Yes
Type of Major Programs' Compliance Opinion	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.871 Housing choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: All Others
Low Risk Auditee?	No

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

FINDING NUMBER	2009-FMHA-1

See (federal) finding # 2009-FMHA-1 and 2009-FMHA-2 below; these findings are also required to be reported in accordance with GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER	2009-FMHA-1

Significant Deficiency – Cost Allocation
U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)

Prior year audit revealed that several programs are housed under one department of the County (part of the Fayette County general fund). The Executive Director oversees all programs. Prior year audit report issued a finding because a written cost allocation plan was not in place to document how certain common costs were allocated to the various programs operated. The result of current year audit procedures revealed that the finding was not resolved. The cost allocation plan, as recommended, was not implemented as of the end of the fiscal year. In addition, current audit procedures revealed that no administrative costs were charged to business activity (MRDD Rental Properties) program as reported in the unaudited financial data schedule filed with HUD for the fiscal year ended December 31, 2009. This was also, noted in prior year audits. No explanation was provided as to why no administration costs were allocated to this program.

Recommendation: A proper cost allocation plan must be implemented and documented in writing. The administrative costs must be allocated to all programs operated by the agency. Once the plan is in place, costs should be reallocated and charged to the correct program.

Corrective Action Plan:

The Board of Directors is currently in negotiations with Fayette County on a support agreement. This contract will spell out the services and cost of those services. The Board does not plan to allocate administrative costs to the Reality Account, as these are insignificant. The costs directly allocable to the homes are paid from that account.

Responsible Party: Chairman, Board of Directors
Implementation Date: 12/31/10

FINDING NUMBER	2009-FMHA-2

Significant Deficiency – Policies and Procedures
U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)

Prior year audits issued a finding because the policies listed below did not exist. Follow up in current year audit revealed that these policies still do not exist:

a. Fiscal Policy
b. Procurement Policy
c. Capitalization Policy
d. Credit Card Policy
e. Cell Phone usage policy
f. Travel Policy

Not having written policies and procedures can result in unauthorized expenditures or not following consistent procedures in handling similar transactions.

Recommendation: The housing authority should implement the above policies and procedures.

Corrective Action Plan:

The Board of Directors is currently reviewing and adopting policies as required. The Board has already adopted the Fayette County Personnel Policy Manual.

Responsible Party: Chairman, Board of Directors
Implementation Date: 12/31/10

FINDING NUMBER	2009-FMHA-3

Compliance Finding – Eligibility (Annual Income)

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

24 CFR 5.609 defines annual income for purposes of calculating the family share of rent as "… all amounts, monetary or not, which: (1) go to, or on behalf of, the family head or spouse or to any other family member; or (2) are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination... (7) Periodic and determinable allowances, such as alimony and child support payments …."

Audit procedures over 57 HCV tenant files revealed 3 errors were the income verification used for child support payments was based on the obligated amount, not the actual payment received. This resulted in client income amount to be overstated and client housing assistance to be lower.

I was not able to determine how many clients had child support income from the client information; therefore, I was not able to calculate the total effect of housing assistance payment understated.

Recommendation: The housing authority should ascertain that staffs are properly trained in calculating tenant annual income.

Corrective Action Plan:

The housing authority staff has been properly trained in calculating tenant annual income. The housing authority staff is calculating the annual income for child support at the average on the verification provided.

Responsible Party: Executive Director
Implementation Date: 12/31/10

Fayette Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2008

The following are the status of the December 31, 2008 audit findings.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; **Explain:**
2008-FMHA-1	Written cost allocation plan	No	Not corrected - finding repeated as 2009-FMHA-1.
2008-FMHA-2	Fringe Benefits Paid by FMHA	Yes	Corrected – FMHA did not pay out any fringe benefits or bonuses during 2009. However, FMHA is still waiting to hear on the ruling from the Ethic Commission regarding this issue.
2008-FMHA-3	Policies & Procedures	No	Not corrected - finding repeated as 2009-FMHA-2.
2008-FMHA-4	Payment Standard	Yes	Corrected

Mary Taylor, CPA
Auditor of State

FAYETTE METROPOLITAN HOUSING AUTHORITY

FAYETTE 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
AUGUST 12, 2010

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