BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT

of the

FAIRFIELD METROPOLITAN
HOUSING AUTHORITY

for the

Year Ended December 31, 2010

Board of Directors
Fairfield Metropolitan Housing Authority
315 North Columbus Street, Suite 200
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, 2010 through December 31, 2010. 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.

Dave Yost

Dave Yost
Auditor of State

July 7, 2011

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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 financial statements of the business-type activities of Fairfield Metropolitan Housing Authority, as of and for the year ended December 31, 2010. These financial statements are the responsibility of the Fairfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 opinion.

In our opinion, the 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, 2010, 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 17, 2011 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority as a whole. The cost certifications 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 expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
June 17, 2011

Unaudited

It is a privilege to present 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 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 $641,235 (or 11%) during 2010, and was $6,301,204 and $5,659,969 for 2010 and 2009, respectively.**

- **The total expenses increased by $181,640 (3%). Total expenses were $6,264,755 and $6,083,115 for 2010 and 2009, respectively.**

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.

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.

Capital Fund Formula Stimulus Grant – The Authority received funding through the American Recovery and Reinvestment Act (ARRA) as part of the Capital Fund Program. These funds were for physical improvements of the Authority's properties.

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.

<u>Housing Counseling</u> – On December 28, 2010 the Authority was certified as a HUD-Approved Housing Counseling agency. Agency funding will be provided by the use of restricted assets from proceeds accounts.

<u>Disaster Housing Assistance Program (DHAP)</u> – 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 is administered through local housing authorities and is vital for helping families return to self- sufficiency. Participants on the program receive a Housing Choice Voucher. The Agency no longer has any participants in this program.

<u>Housing Choice Voucher Program</u> – 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.

<u>Family Unification Program (FUP)</u> – 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 place in out-of-home care.

<u>Resident Opportunity and Supportive Services</u> - 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 TANF to work. A second ROSS grant was funded to coordinate activities and services for residents.

<u>Shelter-Plus Care Grant</u> – This Grant provides tenant-based rental assistance under the Continuum of Care Homeless Assistance Program along with supportive services to the participants.

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

	2010	2009
Current and other assets	$ 1,898,122	$ 2,156,631
Capital assets	5,923,544	6,043,215
TOTAL ASSETS	7,821,666	8,199,846
Current liabilities	169,374	583,358
Long-term liabilities	64,417	65,062
TOTAL LIABILITIES	233,791	648,420
Net Assets:		
Invested in capital assets, net of related debt	5,923,544	6,043,215
Restricted net assets - HAP	731,367	313,877
Unrestricted	932,964	1,194,334
TOTAL NET ASSETS	$ 7,587,875	$ 7,551,426

Unaudited

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Current assets for 2009 included the January 2010 HAP and Admin subsidy received in advance in the amount of $421,096. This is included in the cash balance and current liabilities in 2009. The reserve fund for Section 8 increased by $109,075 restricted and $41,995 unrestricted included in the cash balance and Net Assets. Restricted assets also increased in the amount of $308,415 to identify section 18(a) 2 (C) proceeds. Invested in capital assets net of related debt charges can be analyzed from Table 4 of the MD&A.

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.

	2010	2009
Revenues		
Tenant Revenue - Rents and Other	$ 283,150	$ 299,536
Operating Subsidies and Grants	5,734,894	5,311,360
Capital Grants	278,001	36,671
Investment Income	5,159	12,402
TOTAL REVENUE	6,301,204	5,659,969
Expenses		
Administrative	1,000,035	1,025,378
Tenant Services	30	-
Utilities	22,237	20,565
Maintenance	242,322	190,496
General	22,533	30,033
PILOT	17,323	19,992
Housing Assistance Payment	4,540,345	4,301,151
Depreciation	397,671	386,909
Severence Expense	-	103,499
Bad Debt/Fraud Losses	22,259	5,092
TOTAL EXPENSES	6,264,755	6,083,115
CHANGE IN NET ASSETS	$ 36,449	$ (423,146)

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

In 2010 the Authority received $356,533 more in HAP operating subsidies and grant funding than in 2009 and ARRA in the amount of $229,598, which accounts for most of the difference in total revenue between the years.

The total expenses increase is mostly due to the increase in HAP, maintenance and bad debt offset by decreases in administrative and severance expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had $5,923,544 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of $119,671.

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

	2010	2009
Land and Land Rights	$ 994,621	$ 994,621
Buildings	10,070,311	9,826,839
Equipment - Administrative	398,255	398,255
Equipment - Dwellings	87,781	53,252
Leasehold Improvements	140,286	140,286
Accumulated Depreciation	(5,767,710)	(5,370,038)
TOTAL	$ 5,923,544	$ 6,043,215

The following reconciliation summarizes the change in Capital Assets.

TABLE 4
CHANGE IN CAPITAL ASSETS

BEGINNING BALANCE - NET	$ 6,043,214
Additions - Capital Funds	278,001
Depreciation Expense	(397,671)
ENDING BALANCE	$ 5,923,544
Depreciation Expense - Section 8	$ 15,200
Depreciation Expense - Fairfield Housing, Inc.	3,503
Depreciation Expense - Capital Funds	22,060
Depreciation Expense - OBA	12,488
Depreciation Expense - PH	344,211
Depreciation Expense - HOPE	209
TOTAL DEPRECIATION	$ 397,671

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 the 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
STATEMENT OF NET ASSETS
December 31, 2010

ASSETS		
Current Assets		
Cash and cash equivalents	$	898,328
Restricted cash and cash equivalents		703,138
Investments		177,233
Receivables - net of allowance		72,362
Inventories - net of allowance		11,360
Prepaid expenses and other assets		20,613
TOTAL CURRENT ASSETS		1,883,034
Noncurrent Assets		
Land		994,621
Other capital assets - net		4,928,923
		5,923,544
Mortgage receivable		15,088
TOTAL NONCURRENT ASSETS		5,938,632
TOTAL ASSETS		7,821,666
LIABILITIES		
Current Liabilities		
Accounts payable		14,052
Intergovernmental payables		21,835
Accrued wages/payroll taxes		51,256
Accrued compensated absences		35,331
Tenant security deposits		46,550
Deferred revenue		350
TOTAL CURRENT LIABILITIES		169,374
Noncurrent Liabilities		-
FSS liability		39,790
Health insurance liability		24,627
TOTAL NONCURRENT LIABILITIES		64,417
TOTAL LIABILITIES		233,791
NET ASSETS		
Invested in capital assets - net of related debt		5,923,544
Restricted net assets		731,367
Unrestricted net assets		932,964
NET ASSETS	$	7,587,875

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, 2010

OPERATING REVENUES		
Tenant revenue	$	230,493
Operating Subsidies and Grants		5,734,894
Other Revenues		52,657
TOTAL OPERATING REVENUES		6,018,044
OPERATING EXPENSES		
Administrative		1,000,035
Tenant services		30
Utilities		22,237
Maintenance		242,322
General / Insurance		22,533
PILOT		17,323
Housing assistance payments		4,540,345
Depreciation		397,671
Bad debt / Fraud losses		22,259
TOTAL OPERATING EXPENSES		6,264,755
OPERATING LOSS		(246,711)
NON-OPERATING REVENUE		
Interest income		5,159
HUD capital grants		278,001
TOTAL NON-OPERATING REVENUE		283,160
TRANSFERS IN BETWEEN PROGRAMS/PROJECTS		38,138
TRANSFERS OUT BETWEEN PROGRAMS/PROJECTS		(38,138)
CHANGE IN NET ASSETS		36,449
NET ASSETS BEGINNING OF YEAR		7,551,426
NET ASSETS END OF YEAR	$	7,587,875

See accompanying notes to the basic financial statements

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from HUD	$	5,346,009
Cash received from tenants		230,026
Cash received from other revenue		32,224
Cash payments for housing assistance payments		(4,540,345)
Cash payments for other operating expenses		(1,258,338)
Cash payments to HUD and other government		(20,019)
NET CASH (USED) BY OPERATING ACTIVITIES		(210,443)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received for capital assets		278,001
Acquisition of capital assets		(278,001)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments		(204,195)
Proceeds from sale of investments		151,785
Investment income		5,159
NET CASH (USED) BY INVESTING ACTIVITIES		(47,251)
CHANGE IN CASH AND CASH EQUIVALENTS		(257,694)
CASH AND CASH EQUIVALENTS, BEGINNING		1,859,160
CASH AND CASH EQUIVALENTS, ENDING	$	1,601,466
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating loss	$	(246,711)
Adjustments to reconcile operating loss to net cash (used) by operating activities		
Depreciation		397,671
(Increase) decrease in:		
Receivables - net of allowance		45,928
Inventories - net of allowance		2,545
Prepaid expenses and other assets		4,753
Increase (decrease) in:		
Accounts payable		9,647
Accrued wages and payroll taxes		3,018
Accrued compensated absences		71
Accounts payable - other government		(2,696)
Tenant security deposits		(2,575)
FSS/Health insurance liability		(645)
Deferred revenue		(421,449)
NET CASH (USED) BY OPERATING ACTIVITIES	$	(210,443)

See accompanying notes to the basic financial statements

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.

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 it's 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.

Capital Fund Formula Stimulus Grant – The Authority received funding through the American Recovery and Reinvestment Act (ARRA) as part of the Capital Fund Program. These funds were for physical improvements of the Authority's properties.

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 is administered through local housing authorities and is 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 TANF to work. A second grant was funded to coordinate activities and services for residents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 non-exchange 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, 2010, 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 2010 for all programs totaled $5,159. Certificates of deposits with maturities greater than three months are considered investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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
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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following is a summary of changes in compensated absences for the year ended December 31, 2010:

	Balance 12/31/09	Increases	Decreases	Balance 12/31/10	Due Within One Year
Compensated Absences Payable	$ 35,260	$ 32,494	$ (32,423)	$ 35,331	$ 35,331

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.

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 $9,720 at December 31, 2010.

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $1,263 at December 31, 2010.

Due to/Due From Programs
These are 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.

2. CASH AND INVESTMENTS - CONTINUED

Deposits: The carrying amount of the Authority's deposits totaled $1,601,466. The corresponding bank balances totaled $1,661,312.

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

Category 1:	$250,000 was covered by federal depository insurance.
Category 2:	$1,411,312 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 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 $177,233 at December 31, 2010.

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. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 12/31/2009	Net Additions/ Reclassifications	Balance 12/31/2010
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	$ 9,967,125	$ 243,472	$ 10,210,597
Furniture and Equipment	451,507	34,529	486,036
Totals at Historical Costs	10,418,632	278,001	10,696,633
Less: Accumulated Depreciation	(5,370,039)	(397,671)	(5,767,710)
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	5,048,593	(119,670)	4,928,923
TOTAL CAPITAL ASSETS	$ 6,043,214	$ (119,670)	$ 5,923,544
Accumulated Depreciation by Class:			
Building and Improvements			$ 5,379,106
Furniture and Fixtures			388,604
TOTAL ACCUMULATED DEPRECIATION			$ 5,767,710

4. DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

- a. **The Traditional Pension Plan (TP) – A 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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.**

OPERS provides 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 in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 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 2010, 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 2010. The Authority's required contributions, including the pick up portion for certain employees for the years ended December 31, 2010, 2009 and 2008 were $93,738, $96,640 and $70,465 respectively. All required payments of contributions have been made through December 31, 2010. All required contributions for the two previous years have been paid.

5. POST-EMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (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 maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension 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 plans 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 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.

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 benefits.

5. POST-EMPLOYMENT BENEFITS - CONTINUED

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, the Authority contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2010, which were used to fund post-employment benefits, were $34,126.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

6. 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.

7. 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.

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2010, 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.

9. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the Authority implement GASB Statement No. 51, Accounting and Reporting for Intangible Assets, GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.

The implementation of these GASB statements did not affect the presentation of the financial statements of the Authority.

10. SUBSEQUENT EVENTS

There were no subsequent events through June 17, 2011, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATIONS
Year Ended December 31, 2010

	OH16P16P07-501-06	OH16P070-501-07	OH16S070-501-09
Total Expended	$ 176,870	$ 171,853	$ 229,598
Total Received	$ 176,870	$ 171,853	$ 229,598

1. The grant cost certificates were approved by HUD.
2. The Authority records agree to the above total expenditures.
3. There are no outstanding liabilities.

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010

FEDERAL GRANTOR	FEDERAL CFDA NUMBER	FUNDS EXPENDED
From United States Department of HUD		
Direct Programs		
Housing Choice Vouchers	14.871	$ 5,246,891
Resident Opportunity and Supportive Services	14.870	76,461
Disaster Housing Assistance Grant	97.109	1,000
Shelter Plus Care	14.238	46,757
Public and Indian Housing	14.850	250,384
Public Housing Capital Fund Program (Cluster):		
Public Housing Capital Fund Program	14.872	161,804
Formula Capital Fund Stimulus Grant	14.885	229,598
Public Housing Capital Fund Program Cluster		391,402
Total Expenditures of Federal Awards		$ 6,012,895

See independent auditors' report

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *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 financial statements of the business-type activities of Fairfield Metropolitan Housing Authority as of and for the year ended December 31, 2010 and have issued our report thereon dated June 17, 2011. 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.

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.

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.

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

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated June 17, 2011.

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.

Jones, Cochenour & Co.
June 17, 2011

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 Fairfield Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2010. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
June 17, 2011

Fairfield Metropolitan Housing Authority

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505
December 31, 2010

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	**Unqualified**
Were there any material control weaknesses reported at the financial statement level (GAGAS)?	**No**
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	**No**
Was there any reported material non-compliance at the financial statement level (GAGAS)?	**No**
Were there any material internal control weaknesses reported for major federal programs?	**No**
Were there any significant deficiencies in internal control reported for the major federal programs?	**No**
Type of Major Programs' Compliance Opinion	**Unqualified**
Are there any reportable findings under § .510(a)?	**No**
Major Programs (list):	**CFDA# 14.871 Section 8 Housing Choice Vouchers** **CFDA# 14.872 Capital Fund Program** **CFDA# 14.885 Capital Fund Stimulus (Formula) Grant**
Dollar Threshold: Type A/B Programs	**Type A: >$300,000** **Type B: all others**
Low Risk Auditee?	**Yes**

Fairfield Metropolitan Housing Authority

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 – Continued
December 31, 2010

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

There are no findings for the year ended December 31, 2010.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings for the year ended December 31, 2010.

Dave Yost • 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
JULY 19, 2011

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