

Fayette Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2007





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Fayette Metropolitan Housing Authority  
121 East East St.  
Washington Court House, OH 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, 2007 to December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fayette Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 18, 2008

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FAYETTE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2007

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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, 2007, 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, 2007, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 11, 2008, 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 combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

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Salvatore Consiglio, CPA, Inc.  
April 11, 2008

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)  
Year Ended DECEMBER 31, 2007**

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 years 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 2007, the Authority’s net assets increased by \$119,796 (or 34.44%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$347,800 and \$467,596 for FY 2006 and FY 2007 respectively.
- The revenue increased by \$40,112 (or less than 2.37%) during FY 2007, and was \$1,689,288 and \$1,729,400 for FY 2006 and FY 2007 respectively.
- The total expenses of the Authority increased by \$53,258 (or 3.28%). Total expenses were \$1,623,865 and \$1,677,123 for FY 2006 and FY 2007 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”:

<p>MD&amp;A</p> <p>~ <b>Management’s Discussion and Analysis</b> ~</p>
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**FAYETTE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)  
Year Ended DECEMBER 31, 2007**

Unaudited

<p>Basic Financial Statements</p> <p><b>~ Authority-wide Financial Statements ~</b></p>
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<p>Other Required Supplementary Information</p> <p><b>~ Required Supplementary Information ~</b> <b>(other than the MD&amp;A)</b></p>
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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 (see pages xx) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals “Net Assets”, formerly 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 represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
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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 Non-major Funds - In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities,

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
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Year Ended DECEMBER 31, 2007**

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revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses:

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**

	<u><b>2007</b></u>	<u><b>2006</b></u>
Current and Other Assets	\$ 470,676	\$ 419,186
Capital Assets	<u>861,374</u>	<u>616,126</u>
Total Assets	<u><u>\$ 1,332,050</u></u>	<u><u>\$ 1,035,312</u></u>
Current Liabilities	\$ 27,309	\$ 154,574
Long-Term Liabilities	<u>837,145</u>	<u>532,938</u>
Total Liabilities	<u>864,454</u>	<u>687,512</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	56,469	82,961
Restricted net assets	88,889	-
Unrestricted Net Assets	<u>322,238</u>	<u>264,839</u>
Total Net Assets	<u>467,596</u>	<u>347,800</u>
Total Liabilities and Net Assets	<u><u>\$ 1,332,050</u></u>	<u><u>\$ 1,035,312</u></u>

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
Year Ended DECEMBER 31, 2007**

Unaudited

**Major Factors Affecting the Statement of Net Assets**

Current assets increased by \$51,490 or 12.28% in fiscal year 2007. While, Total Liabilities increased by \$176,942 or 25.74% in fiscal year 2007.

Capital Assets increased by \$245,248. The purchase of computers and telephone system for \$8,696, furnishings for the shelter for \$19,926 and an additional home plus renovation at 780 Gregg Street for \$193,433 accounts net against the current year's depreciation of \$41,201 will account for this years increase. An adjustment of \$62,723 was necessary to properly state the beginning assets. For more detail see "Capital Assets and Debt Administration" below.

**TABLE 2**

**CHANGE OF TOTAL NET ASSETS**

	<u>Unrestricted</u>	<u>Restricted</u> <u>Net Assets</u>	<u>Investment in</u> <u>Capital Assets</u>
Beginning Balance - December 31, 2006	\$ 264,839	\$ -	\$ 82,961
Results of Operations	52,277	-	-
Adjustments:			
Debt Payments	(34,405)	-	34,405
Loan Proceeds	200,000	-	(200,000)
Current year Depreciation Expense (1)	41,227	-	(41,201)
Capital Expenditure	(223,752)	-	223,752
Prior Period Adjustment	110,941	-	(43,448)
Transfer to Restricted Net Assets	(88,889)	88,889	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Ending Balance - December 31, 2007	\$ <u>322,238</u>	\$ <u>88,889</u>	\$ <u>56,469</u>

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
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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. While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Total 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.

	<u><b>2007</b></u>	<u><b>2006</b></u>
<b><u>Revenues</u></b>		
Operating Grants	\$ 1,585,130	\$ 1,423,983
Investment Income	9,713	8,359
Tenant Revenue	88,212	89,636
Other Revenues	46,345	167,310
	<b>1,729,400</b>	<b>1,689,288</b>
<b><u>Expenses</u></b>		
Administrative	211,609	170,167
Maintenance	97,857	46,624
General & Interest Expenses	57,541	43,090
Housing Assistance Payments	1,268,889	1,275,015
Depreciation	41,227	88,969
	<b>1,677,123</b>	<b>1,623,865</b>
<b>Net Increases (Decreases)</b>	<b>\$ 52,277</b>	<b>\$ 65,423</b>

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
Year Ended DECEMBER 31, 2007**

Unaudited

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

The amount of HUD PHA Grants available for FY2007 includes administrative fees and Housing Assistance Payments for Housing Choice Voucher, Mainstream and SRO programs. Other revenues include Fraud Recovery, FSS forfeitures and TBRA/EA funding.

The net increase in total revenue of \$40,112 for FY 2007 is explained as follows: Increase in HUD Operating funds for the Housing Choice Voucher Program of \$63,795; Decrease in CHIP grant funding of \$67,280 for the year due to less funding available; and change in reporting income earned from managing the Highland Metropolitan Housing Authority of \$36,000. In prior years, this amount was netted with expenses. In current year, an adjustment was made to properly report this as income.

Total expenses increased by \$53,258. This increase was mainly due in the change in reporting the activities incurred for the management of the Highland Metropolitan Housing Authority. The current year financial statements reflect \$36,000 of expenditures. Prior year reporting this amount was netted with the revenue earned. All other expenses remained stable and only reflected inflation increases.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of 12/31/07, the Authority had \$88,837 net of debt invested in capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$5,875 from the end of last year.

**TABLE 4**

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

	<u>2007</u>	<u>2006</u>
Buildings	\$ 908,429	\$ 775,044
Furniture, Equipment & Machinery - Administration	77,080	48,457
Accumulated Depreciation	(187,251)	(207,375)
Construction in Process	<u>63,116</u>	<u>-</u>
Total	<u>\$ 861,374</u>	<u>\$ 616,126</u>

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
Year Ended DECEMBER 31, 2007**

Unaudited

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on pages 25-26 of the notes.

**TABLE 5**

**CHANGE IN CAPITAL ASSETS (IN THOUSANDS)**

Beginning Balance - December 31, 2006	\$	616,126
Current year Additions		223,752
Current year Depreciation Expense		(41,227)
Prior Period Adjustment		<u>62,723</u>
Ending Balance - December 31, 2007	\$	<u><u>861,374</u></u>
Current year Additions are summarized as follows:		
Building - 780 Gregg Street	\$	133,385
Renovation at 780 Gregg Street		63,116
Furniture for 780 Gregg Street		19,926
Telephone System		6,254
HP Printer		<u>1,071</u>
Total Current Year Additions	\$	<u><u>223,752</u></u>

The additions for this year include: New computers \$2,442; Telephone System with voice mail \$6,254; Furnishings for shelter house \$19,926 and the purchase plus renovation of a house at 780 Gregg St \$196,501.

**Debt Outstanding**

As of December 31, 2007, the Authority had \$804,905 of debt outstanding as compared to \$533,165 last year for a \$271,740 increase as reflected below:

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)  
Year Ended DECEMBER 31, 2007**

Unaudited

**TABLE 6  
CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING**

Beginning Balance - January 1, 2007	\$533,165
Current Year Loans Proceeds	200,000
Current Year Loan Retirements	(34,405)
Reclassification of Deferred Revenue to Debt Payment	<u>106,145</u>
Ending Balance - December 31, 2007	<u><u>\$804,905</u></u>

**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, 2007**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$275,836
Restricted cash and cash equivalents	145,442
Receivables, net	43,920
Prepaid expenses and other assets	5,478
<b>Total current assets</b>	<b><u>470,676</u></b>

**Noncurrent assets**

Capital assets:	
Building and equipment	985,509
Construction in Process	63,116
Less accumulated depreciation	(187,251)
<b>Total noncurrent assets</b>	<b><u>861,374</u></b>
<b>Total assets</b>	<b><u><u>\$1,332,050</u></u></b>

**LIABILITIES**

**Current liabilities**

Accounts payable	\$2,997
Tenant security deposits	2,794
Bonds, notes, and loans payable	21,518
<b>Total current liabilities</b>	<b><u>27,309</u></b>

**Noncurrent liabilities**

Bonds, notes, and loans payable	783,387
Noncurrent liabilities - other	53,758
<b>Total noncurrent liabilities</b>	<b><u>837,145</u></b>
<b>Total liabilities</b>	<b><u><u>\$864,454</u></u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	\$56,469
Restricted net assets	88,889
Unrestricted net assets	322,238
<b>Total net assets</b>	<b><u>467,596</u></b>

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, 2007**

***OPERATING REVENUES***

Tenant Revenue	\$88,212
Government operating grants	1,585,130
Other revenue	46,345
<b>Total operating revenues</b>	<b><u>1,719,687</u></b>

***OPERATING EXPENSES***

Administrative	211,609
Maintenance	97,857
General	15,257
Housing assistance payment	1,268,889
Depreciation	41,227
<b>Total operating expenses</b>	<b><u>1,634,839</u></b>
<b>Operating income (loss)</b>	<b><u>84,848</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	9,713
Interest expense	(42,284)
<b>Total nonoperating revenues (expenses)</b>	<b><u>(32,571)</u></b>
Change in net assets	52,277
Total net assets - beginning	347,800
Prior Period Adjustment	67,519
<b>Total net assets - ending</b>	<b><u><u>\$467,596</u></u></b>

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, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating grants received	\$1,554,027
Other revenue received	3,682
Cash received from tenants	88,212
Cash payments for administrative	(162,766)
Cash payments for HAP	(1,268,889)

<b>Net cash provided (used) by operating activities</b>	<b>214,266</b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned	9,666
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<b>Net cash provided (used) by investing activities</b>	<b>9,666</b>
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**CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES**

Repayment of debt	(34,405)
Acquisition of capital assets	(223,752)
Interest expense	(42,284)
Loan proceeds	200,000

<b>Net cash provided (used) by capital and related activities</b>	<b>(100,441)</b>
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Net increase (decrease) in cash	123,491
Cash and cash equivalents - Beginning of year	297,787

<b>Cash and cash equivalents - End of year</b>	<b>\$421,278</b>
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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, 2007**

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

Net Operating Income (Loss)	\$84,848
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	41,227
- (Increases) Decreases in Accounts Receivable - HUD	29,364
- (Increases) Decreases in Accounts Receivable - Other	43,739
- (Increases) Decreases in Prepaid Assets	(1,055)
- (Increases) Decreases in Accrued Interest Receivable	(47)
- Increases (Decreases) in Accounts Payable	16,939
- Increases (Decreases) in Accounts Payable -HUD	(32,182)
- Increases (Decreases) in Deferred Revenues	2,616
- Increases (Decreases) in Noncurrent Liabilities	28,817
	<hr/>
<b>Net cash provided by operating activities</b>	<b><u><u>\$214,266</u></u></b>

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

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**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.

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)

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

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

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 balances of any

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

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 through 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 from 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 from 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. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 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.

FAYETTE METROPOLITAN HOUSING AUTHORITY  
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(CONTINUED)

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

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued 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 2007 for both programs totaled \$9,713.

**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

**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.

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

**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 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.

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

- 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.

**Due From/To Other Programs**

Inter-program receivables and payables as of December 31, 2007 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,

FAYETTE METROPOLITAN HOUSING AUTHORITY  
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(CONTINUED)

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

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. This program is inactive, i.e., no new projects are being approved.

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.

**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 \$1,750 at December 31, 2007.

**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

FAYETTE METROPOLITAN HOUSING AUTHORITY  
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(CONTINUED)

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

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 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, 2007, the carrying amount of the Authority's deposits totaled \$421,278 and its bank balance was \$422,117. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2007, \$322,117 was exposed to custodial risk as discussed below, while \$100,000 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

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(CONTINUED)

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

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 \$145,442 at December 31, 2007 represents the following:

- FSS Escrow cash balance	\$53,758
- Excess HAP cash funds on Hand	\$88,890
- 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, 2007 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

**NOTE 5: CAPITAL ASSETS**

The following is a summary of changes:

	<b>Balance 12/31/06</b>	<b>Adjustment</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 12/31/07</b>
<b>Capital Assets Not Being Depreciated:</b>					
Construct. in Process	\$0	\$0	\$63,116	\$0	\$63,116
<b>Total Capital Assets Not Being Depreciated</b>	<b>0</b>	<b>0</b>	<b>63,116</b>	<b>0</b>	<b>63,116</b>

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

	<b>Balance 12/31/06</b>	<b>Adjustment</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 12/31/07</b>
<b>Capital Assets Being Depreciated:</b>					
Building	775,044	0	133,385	0	908,429
Furnt, Mach. and Equip.					
– Admin	48,457	1,372	7,325	0	57,154
Furnt, Mach. and Equip.					
– Dwelling	0	0	19,926	0	19,926
Total Capital Assets Being Depreciated	823,501	1,372	160,636	0	985,509
<b>Accumulated Depreciation:</b>					
Buildings	(171,219)	59,500	(30,281)	0	(142,000)
Furnt, Mach. and Equip.					
– Admin	(36,156)	1,823	(8,047)	0	(42,380)
Furnt, Mach. and Equip.					
- Dwelling	(0)	0	(2,847)	0	(2,847)
Total Accumulated Depreciation	(207,375)	61,323	(41,175)	0	(187,227)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>616,126</b>	<b>62,695</b>	<b>119,461</b>	<b>(0)</b>	<b>798,282</b>
<b>Total Capital Assets, Net</b>	<b>\$616,126</b>	<b>\$62,695</b>	<b>\$182,577</b>	<b>(\$0)</b>	<b>\$861,398</b>

The depreciation expense for the year ended December 31, 2007 was \$41,175.

**NOTE 6: FDS SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended December 31, 2007, 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.

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 7: CONTRACT SERVICES**

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 two 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 8: LONG-TERM DEBT**

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 eight homes purchased is as follows:

- Mortgage payable for property at 1029 S. Fayette St. in Washington Court House, Ohio . The current structure of this loan is set for 7.00% at 25 years with a balloon payment due on 11/18/10. Payments and interest are due monthly. \$85,883
- Mortgage payable for property at 842 Lincoln St. in Washington Court House, Ohio. The current structure of this loan is set for 7.00% at 25 years with a balloon payment due on 11/18/10. Payments and interest are due monthly. 73,907
- 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. 67,537

FAYETTE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 8: LONG-TERM DEBT (CONTINUED)**

<ul style="list-style-type: none"> <li>• 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.</li> <li>• Mortgage payable for property at 1103 Golfview St. in Washington Court House, Ohio. The current structure of this loan is set for 5.375% at 30 years with a balloon payment due on 4/10/09. Payments and interest are due monthly.</li> <li>• Mortgage payable for property at 594 Leslie Trace in Washington Court House, Ohio. The current structure of this loan is set for 5.375% at 30 years with a balloon payment due on 4/10/09. Payments and interest are due monthly.</li> <li>• Mortgage payable for property at 388 Leslie Trace in Washington Court House, Ohio. The current structure of this loan is set for 7.25% at 25 years with a balloon payment due on 5/22/11. Payments and interest are due monthly.</li> <li>• 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.</li> <li>• Mortgage payable for property at 1029 Fayette in Washington Court House, Ohio. The current structure of this loan is set for 7.0% interest rate for 25 years with a balloon payment due on 11/18/10. Payments and interest are due monthly.</li> <li>• 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 expires.</li> </ul>	<p>67,537</p> <p>85,883</p> <p>79,367</p> <p>49,996</p> <p>199,740</p> <p>84,177</p> <p>96,761</p> <hr/> <p>804,905</p> <p>21,518</p> <hr/> <p><b>\$783,387</b></p>
<p>Total Outstanding Debt:</p> <p>Less Current Portion:</p> <p>Total Long-term Debt:</p>	<p>804,905</p> <p>21,518</p> <p><b>\$783,387</b></p>

FAYETTE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 (CONTINUED)

**NOTE 8: LONG-TERM DEBT (CONTINUED)**

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

<b>DESCRIPTION</b>	<b>BALANCE 12/31/06</b>	<b>ISSUED</b>	<b>RETIRED</b>	<b>BALANCE 12/31/07</b>
Loan Payable – Bank	\$533,165	\$200,000	\$25,021	\$708,144
MRDD Grant Funds Unexpired	106,145	0	9,384	96,761
<b>TOTAL</b>	<b>\$639,310</b>	<b>\$200,000</b>	<b>\$34,405</b>	<b>\$804,905</b>

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

<b><u>Years</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2008	\$21,518	\$45,618	\$67,136
2009	181,498	39,116	220,614
2010	167,330	34,692	202,022
2011	63,230	23,395	86,625
2012	54,092	21,492	75,584
2013-2017	58,201	98,897	157,098
2018-2022	62,994	80,340	143,334
2023-2027	89,303	54,031	143,334
2028-2032	106,739	17,541	124,282
<b>Total</b>	<b>\$804,905</b>	<b>\$415,122</b>	<b>\$1,220,029</b>

To avoid the final balloon payments, it is the intent of the Authority to refinance the debt.

**NOTE 9: 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, 2007

Line Item No.	Account Description	Business Activities	Supportive Housing for Persons with Disabilities	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$17,225	\$0	\$25,073	\$233,538	\$275,836
113	Cash - Other Restricted	\$0	\$0	\$0	\$142,648	\$142,648
114	Cash - Tenant Security Deposits	\$2,794	\$0	\$0	\$0	\$2,794
100	Total Cash	\$20,019	\$0	\$25,073	\$376,186	\$421,278
122	Accounts Receivable - HUD Other Projects	\$0	\$21,287	\$4,516	\$0	\$25,803
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$18,000	\$18,000
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$1,750	\$1,750
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	(\$1,750)	(\$1,750)
129	Accrued Interest Receivable	\$0	\$0	\$0	\$117	\$117
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$21,287	\$4,516	\$18,117	\$43,920
142	Prepaid Expenses and Other Assets	\$5,478	\$0	\$0	\$0	\$5,478
144	Interprogram Due From	\$0	\$0	\$0	\$8,780	\$8,780
150	Total Current Assets	\$25,497	\$21,287	\$29,589	\$403,083	\$479,456
162	Buildings	\$908,429	\$0	\$0	\$0	\$908,429
163	Furniture, Equipment & Machinery - Dwellings	\$19,926	\$0	\$0	\$0	\$19,926
164	Furniture, Equipment & Machinery - Administration	\$15,477	\$0	\$0	\$41,677	\$57,154
166	Accumulated Depreciation	(\$153,986)	\$0	\$0	(\$33,241)	(\$187,227)
	Construction in Process	\$63,116	\$0	\$0	\$0	\$63,116
160	Total Fixed Assets, Net of Accumulated Depreciation	\$852,962	\$0	\$0	\$8,436	\$861,398
180	Total Non-Current Assets	\$852,962	\$0	\$0	\$8,436	\$861,398
190	Total Assets	\$878,459	\$21,287	\$29,589	\$411,519	\$1,340,854
312	Accounts Payable <= 90 Days	\$0	\$0	\$0	\$2,997	\$2,997
341	Tenant Security Deposits	\$2,794	\$0	\$0	\$0	\$2,794
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$0
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$21,518	\$0	\$0	\$0	\$21,518
347	Interprogram Due To	\$0	\$8,780	\$0	\$0	\$8,780
310	Total Current Liabilities	\$24,312	\$8,780	\$0	\$2,997	\$36,089
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$783,387	\$0	\$0	\$0	\$783,387

Fayette Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2007

Line Item No.	Account Description	Business Activities	Supportive Housing for Persons with Disabilities	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$53,758	\$53,758
350	Total Noncurrent Liabilities	\$783,387	\$0	\$0	\$53,758	\$837,145
300	Total Liabilities	\$807,699	\$8,780	\$0	\$56,755	\$873,234
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$48,057	\$0	\$0	\$8,436	\$56,493
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$88,889	\$88,889
512.1	Unrestricted Net Assets	\$22,703	\$12,507	\$29,589	\$257,439	\$322,238
513	Total Equity/Net Assets	\$70,760	\$12,507	\$29,589	\$354,764	\$467,620
600	Total Liabilities and Equity/Net Assets	\$878,459	\$21,287	\$29,589	\$411,519	\$1,340,854
703	Net Tenant Rental Revenue	\$88,212	\$0	\$0	\$0	\$88,212
705	Total Tenant Revenue	\$88,212	\$0	\$0	\$0	\$88,212
706	HUD PHA Operating Grants	\$0	\$258,701	\$53,299	\$1,175,778	\$1,487,778
708	Other Government Grants	\$97,352	\$0	\$0	\$0	\$97,352
711	Investment Income - Unrestricted	\$121	\$214	\$701	\$6,512	\$7,548
714	Fraud Recovery	\$0	\$0	\$0	\$664	\$664
715	Other Revenue	\$45,384	\$0	\$0	\$297	\$45,681
720	Investment Income - Restricted	\$0	\$0	\$0	\$2,165	\$2,165
700	Total Revenue	\$231,069	\$258,915	\$54,000	\$1,185,416	\$1,729,400
912	Auditing Fees	\$0	\$730	\$194	\$3,278	\$4,202
913	Outside Management Fees	\$38,890	\$20,589	\$4,669	\$96,790	\$160,938
916	Other Operating - Administrative	\$371	\$10,570	\$2,397	\$33,131	\$46,469
942	Ordinary Maintenance and Operations - Materials and Other	\$91,970	\$1,350	\$306	\$4,231	\$97,857
961	Insurance Premiums	\$5,282	\$545	\$124	\$1,707	\$7,658
962	Other General Expenses	\$7,599	\$0	\$0	\$0	\$7,599
967	Interest Expense	\$42,284	\$0	\$0	\$0	\$42,284
969	Total Operating Expenses	\$186,396	\$33,784	\$7,690	\$139,137	\$367,007
970	Excess Operating Revenue over Operating Expenses	\$44,673	\$225,131	\$46,310	\$1,046,279	\$1,362,393
973	Housing Assistance Payments	\$25,660	\$221,199	\$44,755	\$977,275	\$1,268,889

Fayette Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2007

Line Item No.	Account Description	Business Activities	Supportive Housing for Persons with Disabilities	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
974	Depreciation Expense	\$37,907	\$0	\$0	\$3,268	\$41,175
900	Total Expenses	\$249,963	\$254,983	\$52,445	\$1,119,680	\$1,677,071
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$18,894)	\$3,932	\$1,555	\$65,736	\$52,329
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$25,263	\$0	\$28,034	\$294,503	\$347,800
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$64,391	\$8,575	\$0	(\$5,475)	\$67,491
	Ending Equity	\$70,760	\$12,507	\$29,589	\$354,764	\$467,620
1120	Unit Months Available	65	900	204	2,964	4,133
1121	Number of Unit Months Leased	65	872	198	2,868	4,003
1117	Administrative Fee Equity	\$0	\$0	\$0	\$265,874	\$265,874
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$88,890	\$88,890

Fayette Metropolitan Housing Authority  
 Schedule of Expenditure of Federal Award  
 For the Year Ended December 31, 2007

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Supportive Housing for Persons with Disabilities	14,181	\$258,701
N/C S/R Section 8 Programs	14.182	53,299
Housing Choice Voucher	14.871	<u>1,175,778</u>
Total Expenditure of Federal Award		<u><u>\$1,487,778</u></u>



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

Board of Directors  
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, 2007, which collectively comprise the Fayette Metropolitan Housing Authority basic financial statements and have issued my report thereon dated April 11, 2009. 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 no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

I consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-FMHA-1 through 2007-FMHA-6.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Fayette Metropolitan Housing Authority, Ohio response and, accordingly, I express no opinion on it.

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

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Salvatore Consiglio, CPA, Inc.  
April 11, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
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, 2007. 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.

In my opinion, 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, 2007. However, the result of my audit procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-FMHA-7.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

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Salvatore Consiglio, CPA, Inc.  
April 11, 2008

Fayette Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2007

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

Fayette Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2007

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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FINDING NUMBER	2007-FMHA-1
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**Significant Deficiency – Cost Allocation**

Several programs, beside the Housing Authority, are housed under one department of the County (part of the Fayette County general fund). The Executive Director oversees all programs. It was explained that the housing authority portion of the Executive Director salary charged to the Fayette MHA is 20%; also the receptionist time is charged 30% and other common costs are charged 1/3 to the Fayette MHA. It was explained that these rates were determined based on the Executive Direct experience. However, no written allocation plan or documentation was provided to support how these percentages were arrived.

Recommendation: It was determined that the allocation percentages seemed reasonable; however, a written cost allocation plan should be prepared and maintained.

Corrective Action Plan: The Housing Authority anticipates contracting with a professional CPA consultant to develop a plan and determine the cost allocation by department/agency, including common costs, toward the Building Department General Fund budget. The Cost Allocation Plan will be submitted to the appropriate agency for review and approval prior to adopting.

Responsible Party: Executive Director  
 Implementation Date: 12/31/08

FINDING NUMBER	2007-FMHA-2
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**Significant Deficiency – Reimbursement to County**

A review of the costs reimbursed to the Fayette County - General Fund revealed that the Authority reimbursed the county for PERS at 13.7% of staff salaries. However, the rate in effect during 2007 was 13.85%. It was explained that the staff were not aware of the new rate. At the beginning of the year, the county payroll department is contacted to identify what are the rates paid for PERS and workers Compensation. What ever the rates told by the county payroll department is what the rate is used to reimburse the general fund.

This resulted in under reimbursement to the county for PERS expenses.

Fayette Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2007

Recommendation: The correct rates should be used and reimbursed to the county.

Corrective Action Plan: At the beginning of each fiscal year, the County Auditor will be asked to formalize, by letter, the rates utilized to reimburse the General Fund for employees' in other department for PERS, Medicare tax, Hospitalization, Workman Comp, etc.

Responsible Party: Executive Director

Implementation Date: 12/31/08

FINDING NUMBER	2007-FMHA-3
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**Significant Deficiency – Contract Agreement**

Contract agreement with Inspector was signed on February 14, 2000. The contract identifies the mileage reimbursement @ \$0.26 per mile. However, actual billing from the contract shows \$0.40 per mile.

Also, the contract list \$15 per inspection and there is no language on a fee for “no shows”. A review of the billing from the inspector shows \$20 per inspection and \$10 for no shows. Payments were not made per the written agreement.

In reviewing the contract I did not notice any language protecting the PHA or the County for liabilities. The contract should be revised to specifically state that there is a vendor / contractor relationship. The Inspector should be required to provide documentation of liabilities insurance and workers compensation.

Recommendation: The contract agreement should be rewritten to reflect the actual rates paid and for proper language to protect the County and the Housing Authority.

Corrective Action Plan: The mileage cost went up as with all employees of the county. However, the Agreement was never changed. The Agreement will be changed to:

- 1) Change the parties to the Agreement between the FMHA and Inspector and not the County and the Inspector because it is a direct cost and there is no need to have the contract with the County.
- 2) Change the mileage from 26 cents to 40 cents.
- 3) Change the inspection costs from 15 dollars to 20 dollars.
- 4) Include language which will incorporate provisions of liability insurance and workers compensation. However, I believe that worker's compensation is not required of self employed individual contractors with no employees.

Fayette Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2007

Responsible Party: Executive Director  
Implementation Date: 12/31/08

FINDING NUMBER	2007-FMHA-4
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**Significant Deficiency – Authorized Check Signers**

The authorized check signers for the Realty Account were the Executive Director and 2 other staff (no board members). This can result in unauthorized expenditures.

Recommendation: It is strongly recommend that the authorized signers be revised to include one Board Member.

Corrective Action Plan: The realty checking account has already been changed to include a minimum of one signature from a board member. The Board has authorized for two board members to sign in the event one is not available.

FINDING NUMBER	2007-FMHA-5
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**Significant Deficiency – Fringe Benefits Paid by FMHA**

An analysis of current year expenses identified the following:

- a. Staffs were paid bonus. The bonus was paid from Fayette MHA realty bank account, not by the Fayette County.
- b. 2 staffs were paid for internet service at their personal homes.
- c. One staff was paid tuition for going to school.

The staff are not employees of the Housing Authority (employees of Fayette County), therefore there should not be any fringe benefits paid by the Housing Authority. In addition, the Housing Authority does not have any written policy to address these expenses. Per inquiry with Fayette Metropolitan Housing Authority board members, it was determined that the board did authorize these payments.

Recommendation: Since the staffs are employees of the Fayette County, all fringe benefits paid to the staff should be paid by the county. In addition, a written policy should be implemented to document policy and procedures to be followed for these expenses.

Corrective Action Plan: The benefits in question were paid by the FMHA because it was a direct cost as opposed to a reimbursable cost, as in the Inspector's Agreement. A Policy and Procedure (P&P) manual on personnel benefits will be adopted by FMHA.

Fayette Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2007

Responsible Party: Executive Director  
Implementation Date: 12/31/08

FINDING NUMBER	2007-FMHA-5
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**Significant Deficiency – Policies and Procedures**

As part of audit procedures, a request for copy of the following policies and procedures was made:

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

It was explained that the Authority follows the Fayette County policies. However, written copies of the above policies were provided.

Recommendation: To ascertain that expenditure are consistently applied and recorded in the accounting records, written policies and procedures should be implemented.

Corrective Action Plan: The FMHA Board is in the process of evaluating and preparing an agreement with Fayette County to determine which costs are borne by the county and which costs are direct costs borne by FMHA. At this time, the following P&P manuals will be adopted by the FMHA board. It is anticipated that the FMHA Board will follow the county's Employees Policy and Procedures for payroll purposes and the Board will have a separate P&P for staff benefits. Further, the FMHA will adopt the following P&P: Fiscal, Procurement, Personnel (by county), Staff Benefits, Capitalization, Cash and Credit Card, Cell Phone Usage, Travel, and others.

Responsible Party: Executive Director  
Implementation Date: 12/31/08

FINDING NUMBER	2007-FMHA-6
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**Significant Deficiency – Procurement**

Analysis of expenditures revealed that two contracts were entered into for Rehab and repairs at the Gregg Street Property and 1120 S Fayette Street Property. Proper procurement procedures were not followed in awarding these contracts.

Fayette Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2007

Also, the contracts were with sole proprietors. A review of the contract provided, revealed no language protecting the Authority for any liabilities for damages or for personal injuries. No requirement was noted in the contract agreement that the contract is required to be bonded, and that the contract was required to provide workers compensation coverage. In addition, the language in the contract should be added to clarify that the relationship between the Authority and contract is a vendor/contract relationship not an employee/employer relationship.

An actual contractual agreement was not provided for one of the contractor performing the work.

Recommendation: A contract agreement should be prepared and executed for all purchases. In addition, management should implement a procurement policy and follow it.

Corrective Action Plan: General procurement procedures were followed at the 1120 S. Fayette Street property, albeit a little sloppy. At the 780 Gregg Street, the procurement was not followed because the ED gave the contract to the maintenance contractor because of his low hourly wage. It was not anticipated that the additional unforeseen costs and changes would exceed threshold bid contract limits.

In the future, procedures will be followed in accordance with Procurement P&P. Further, language will be added to include liability insurance and workers compensation for the protection of the Board. In the future, the ED will insure that all procured work have a contract, and the contract to be approved by the Board.

Responsible Party: Executive Director  
Implementation Date: 12/31/08

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**REPORTABLE NONCOMPLIANCE**

FINDING NUMBER	2007-FMHA-7
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**Utility Allowance**

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

24 CFR 982.517 requires that The PHA maintains an up-to-date utility allowance schedule. The PHA reviewed utility rate data that it obtained within the last 12 months, and adjusted its utility allowance schedule if there has been a change of 10% or more in a utility rate since the last time the utility allowance schedule was revised.

Audit procedures over tenant files reviewed revealed that the tenants were only given the new utility allowance at the initial move in and when there was a change in unit. However, the utility allowance rates were not adjusted at the annual recertification. This resulted in under payment in housing assistance and not incompliance with above requirement.

**Recommendation:**

The PHA must up date its utility allowance schedule annually if there is a 10% change. The new rates should be used in calculating the housing assistance payment amount at every annual recertification.

**Corrective Action Plan:** The utility allowance (UA) is being adjusted annually and including the cumulative effect of utility cost changes to 10%. The UA will be given at all move ins and re certifications.

Responsible Party: Executive Director  
Implementation Date: 12/31/08

Fayette Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
December 31, 2006

The audit report for the fiscal year ending December 31, 2006 contained no audit finding.



**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 28, 2008**