

Fayette Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Fayette Metropolitan Housing Authority, Fayette County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 20, 2012

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FAYETTE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

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Independent Auditors' Report

Board of Commissioners
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, 2011, 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's, 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, 2011, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 7, 2012, on my consideration of Fayette Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be consider in conjunction with this report in considering the results of my audit.

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

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Fayette Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The FDS Schedule Submitted to REAC is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, are fairly presented in all material respect in relation to the financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.
June 7, 2012

**FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

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

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- During FY 2011, the Authority’s net assets increased by \$35,776. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$644,823 and \$680,599 for FY 2010 and FY 2011 respectively.
- The total revenue increased by \$353,212 (or 19.18%) during FY 2011, and was \$1,841,429 and \$2,194,641 for FY 2010 and FY 2011 respectively.
- The total expenses of the Authority increased by \$385,225 (or 21.72%). Total expenses were \$1,773,640 and \$2,158,865 for FY 2010 and FY 2011 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&A</p> <p>~ Management’s Discussion and Analysis ~</p>
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**FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

<p>Basic Financial Statements</p> <p>~ Authority-wide Financial Statements ~</p>

<p>Other Required Supplementary Information</p> <p>~ Required Supplementary Information ~ (other than the MD&A)</p>

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

Authority-Wide Financial Statements

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

These Statements include a 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)
Year Ended DECEMBER 31, 2011**

Unaudited

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

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

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

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

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

Fund Financial Statements

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

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

The Authority’s Programs

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

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

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

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

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

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

TABLE 1

STATEMENT OF NET ASSETS

	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 647,101	\$ 683,136
Capital Assets	<u>962,432</u>	<u>1,010,985</u>
 Total Assets	 <u>\$ 1,609,533</u>	 <u>\$ 1,694,121</u>
 Current Liabilities	 \$ 80,831	 \$ 153,346
Long-Term Liabilities	<u>848,103</u>	<u>895,952</u>
 Total Liabilities	 <u>928,934</u>	 <u>1,049,298</u>
 Net Assets:		
Investment in Capital Assets, net of Related Debt	110,069	128,198
Restricted net assets	176,771	94,429
Unrestricted Net Assets	<u>393,759</u>	<u>422,196</u>
 Total Net Assets	 <u>680,599</u>	 <u>644,823</u>
 Total Liabilities and Net Assets	 <u>\$ 1,609,533</u>	 <u>\$ 1,694,121</u>

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

Major Factors Affecting the Statement of Net Assets

Current assets decreased by \$36,035 or 5.27% in fiscal year 2011, while, total liabilities decreased by \$120,364 or 11.47%.

Capital Assets decreased by \$48,533. This decrease represents new purchases of equipment and improvements totaled \$4,750 net of the current year's depreciation of \$53,303. For more detail see "Capital Assets and Debt Administration".

TABLE 2

CHANGE OF TOTAL NET ASSETS

	<u>Unrestricted</u>	<u>Restricted Net Assets</u>	<u>Investment in Capital Assets</u>
Beginning Balance - December 31, 2010	\$ 422,196	\$ 94,429	\$ 128,198
Results of Operations	35,776	-	-
Adjustments:			
Debt Retirements	(30,424)	-	30,424
Loan Proceeds	-	-	-
Current year Depreciation Expense (1)	53,303	-	(53,303)
Capital Expenditure	(4,750)	-	4,750
Transfer to Restricted Net Assets	<u>(82,342)</u>	<u>82,342</u>	<u>-</u>
Ending Balance - December 31, 2011	<u>\$ 393,759</u>	<u>\$ 176,771</u>	<u>\$ 110,069</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
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

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

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	<u>2011</u>	<u>2010</u>
<u>Revenues</u>		
Operating Grants	\$ 2,032,963	\$ 1,643,457
Investment Income	2,985	8,225
Tenant Revenue	125,548	101,569
Other Revenues	33,145	88,178
	2,194,641	1,841,429
<u>Expenses</u>		
Administrative	270,004	208,111
Tenant Services	36,236	33,240
Utilities	2,011	1,071
Maintenance	95,686	25,048
General & Interest Expenses	61,569	88,930
Housing Assistance Payments	1,640,056	1,366,067
Depreciation	53,303	51,173
	2,158,865	1,773,640
Net Increases (Decreases)	\$ 35,776	\$ 67,789

**FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

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

The HUD PHA Grants available increased \$389,506 or 23.70% for FY2011. This increase also included the Shelter Plus Care Program, TBA/EA from the City and County Programs. Tenant Revenue also increased in 2011 by \$23,979 or 23.61%. Other revenues decreased in 2011 by \$55,033.

Total expenses increased by \$385,225 in comparison with prior year. This increase was mainly due to housing assistance payment increase from last year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2011, the Authority had \$962,432 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$48,553 from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	<u>2011</u>	<u>2010</u>
Land	\$ 18,300	\$ 18,300
Buildings	1,170,795	1,168,145
Furniture, Equipment & Machinery	110,935	108,835
Leasehold Improvements	43,076	43,076
Accumulated Depreciation	<u>(380,674)</u>	<u>(327,371)</u>
 Total	 <u>\$ 962,432</u>	 <u>\$ 1,010,985</u>

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance - December 31, 2010	\$	1,010,985
Current year Additions		4,750
Current year Depreciation Expense		<u>(53,303)</u>
Ending Balance - December 31, 2011	\$	<u><u>962,432</u></u>

Current year Additions are summarized as follows:

- Building Improvements	\$	2,650
- Snow Blower		600
- Lawn Mower		<u>1,500</u>
Total Current Year Additions	\$	<u><u>4,750</u></u>

Debt Outstanding

As of December 31, 2011, the Authority had \$852,363 of debt outstanding as compared to \$882,787 last year for a \$30,424 net decrease as reflected below:

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

Beginning Balance - January 1, 2011		\$882,787
Current Year Loans Proceeds		0
Current Year Loan Retirements		<u>(30,424)</u>
Ending Balance - December 31, 2011		<u><u>\$852,363</u></u>

**FAYETTE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2011**

Unaudited

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 Edith Stewart; 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, 2011

ASSETS

Current assets

Cash and cash equivalents	\$271,749
Restricted cash and cash equivalents	207,018
Receivables, net	51,129
Other assets	117,205
<i>Total current assets</i>	<u>647,101</u>

Noncurrent assets

Capital assets:	
Land	18,300
Building and equipment	1,324,806
Less accumulated depreciation	(380,674)
<i>Total noncurrent assets</i>	<u>962,432</u>
Total assets	<u><u>\$1,609,533</u></u>

LIABILITIES

Current liabilities

Intergovernmental payable	46,324
Tenant security deposits	2,794
Bonds, notes, and loans payable	31,713
<i>Total current liabilities</i>	<u>80,831</u>

Noncurrent liabilities

Bonds, notes, and loans payable	820,650
Noncurrent liabilities - other	27,453
<i>Total noncurrent liabilities</i>	<u>848,103</u>
Total liabilities	<u><u>\$928,934</u></u>

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2011

NET ASSETS

Invested in capital assets, net of related debt	\$110,069
Restricted net assets	176,771
Unrestricted net assets	393,759
Total net assets	<u><u>\$680,599</u></u>

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, 2011

OPERATING REVENUES

Tenant Revenue	\$125,548
Government operating grants	2,032,963
Other revenue	33,145
Total operating revenues	<u>2,191,656</u>

OPERATING EXPENSES

Administrative	270,004
Tenant Services	36,236
Utilities	2,011
Maintenance	95,686
General	6,596
Housing assistance payment	1,640,056
Depreciation	53,303
Total operating expenses	<u>2,103,892</u>
Operating income (loss)	<u>87,764</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	2,985
Interest expense	(54,973)
Total nonoperating revenues (expenses)	<u>(51,988)</u>
Change in net assets	35,776
Total net assets - beginning	644,823
Total net assets - ending	<u><u>\$680,599</u></u>

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$1,926,064
Other revenue received	57,273
Cash received from tenants	125,548
Cash payments for administrative	(406,277)
Cash payments for HAP	<u>(1,640,056)</u>
Net cash provided (used) by operating activities	<u>62,552</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>2,985</u>
Net cash provided (used) by investing activities	<u>2,985</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Repayment of Notes Payable	(30,424)
Acquisition of capital assets	(4,750)
Interest expense	<u>(54,973)</u>
Net cash provided (used) by capital and related activities	<u>(90,147)</u>
Net increase (decrease) in cash	(24,610)
Cash and cash equivalents - Beginning of year	<u>503,377</u>
Cash and cash equivalents - End of year	<u><u>\$478,767</u></u>

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, 2011

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

Net Operating Income (Loss)	\$87,764
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	53,303
- (Increases) Decreases in Accounts Receivable - HUD	(23,749)
- (Increases) Decreases in Accounts Receivable - Other	10,923
- (Increases) Decreases in Prepaid and Other Assets	24,123
- (Increases) Decreases in Accrued Interest Receivable	128
- Increases (Decreases) in Accounts Payable	(46,741)
- Increases (Decreases) in Accounts Payable -HUD	(29,632)
- Increases (Decreases) in Noncurrent Liabilities	(13,567)
	(13,567)
Net cash provided by operating activities	\$62,552

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, 2011

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, 2011
(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

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of “Net Assets Invested in Capital Assets, Net of Related Debt” or “Restricted Net Assets.” This account is similar to the former operating reserve account.

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

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily 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.

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fund Accounting

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

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8, other business activity and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

Proprietary Fund Types

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

Enterprise Fund

This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund – (Continued)

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

Measurement Focus/Basis of Accounting

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

Investments

Investments are restricted by the provisions of the HUD Regulations. Investments are valued at market value. Interest income earned in fiscal year 2011 for both programs totaled \$2,985.

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

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

Accounting and Reporting for Nonexchange Transactions

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

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting and Reporting for Nonexchange Transactions – (Continued)

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

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

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

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

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

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

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due From/To Other Programs

Inter-program receivables and payables as of December 31, 2011 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

Operating Revenues and Expenses

Operating revenues are revenues generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Operating expenses are expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, tenant services, utilities, maintenance, protective services, general, depreciation, bad debts and housing assistance payments.

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

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

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

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

Accrued Liabilities

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$29,820 at December 31, 2011.

Net Assets

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

NOTE 2: CASH AND INVESTMENTS

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawals 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

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year-end December 31, 2011, the carrying amount of the Authority's deposits totaled \$478,767 and its bank balance was \$480,839. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2009, \$230,839 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$207,018 at December 31, 2011 represents the following:

- FSS Escrow cash balance	\$27,453
- Excess HAP cash funds on Hand	\$176,771
- 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, 2011 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.

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of changes:

	Balance 12/31/10	Adjustments	Additions	Deletion	Balance 12/31/11
Capital Assets Not Depreciated:					
Land	\$18,300	\$0	\$0	\$0	\$18,300
Total Capital Assets Not Depreciated:	18,300	0	0	0	18,300
Capital Assets Being Depreciated:					
Building	1,168,145	0	2,650	0	1,170,795
Furn. Mach. & Equip. - Admin	86,459	0	2,100	0	88,559
Furn. Mach. & Equip. - Dwelling	22,376	0	0	0	22,376
Leasehold Improvements	43,076	0	0	0	43,076
Total Capital Assets Being Depreciated:	1,320,056	0	4,750	0	1,324,806
Accumulated Depreciation:					
Building	(251,865)	0	(38,925)	0	(290,790)
Furn. Mach. & Equip. - Admin	(60,547)	0	(8,309)	0	(68,856)
Furn. Mach. & Equip. - Dwelling	(12,087)	0	(3,197)	0	(15,284)
Leasehold Improvements	(2,872)	0	(2,872)	0	(5,744)
Total Accumulated Depreciation:	(327,371)	0	(53,303)	0	(380,674)
Total Capital Assets Being Depreciated, Net:	992,685	0	(48,553)	0	944,132
Total Capital Assets, Net:	\$1,010,985	\$0	(\$48,553)	\$0	\$962,432

The depreciation expense for the year ended December 31, 2011 was \$53,303.

FAYETTE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (CONTINUED)

NOTE 6: 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 residential houses on behalf of the MRDD. The MRDD will maintain a legal interest in the property acquired with community assistance funds and will compensate the authority for housing expenses when vacancies occur in the properties.

NOTE 7: 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 nine homes purchased is as follows:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Mortgage payable for property at 842 Lincoln St. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.50% at 20 years due on 5/8/29. Payments and interest are due monthly. • 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. • 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. | <p>\$70,549</p> <p>62,482</p> <p>62,482</p> |
|--|---|

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 7: LONG-TERM DEBT – (Continued)

- Mortgage payable for property at 1103 Golfview St. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments and interest are due monthly. 81,912
- Mortgage payable for property at 594 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments and interest are due monthly. 75,965
- Mortgage payable for property at 388 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% at 20 years due on 5/8/29. Payments and interest are due monthly. 48,811
- 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. 186,221
- Mortgage payable for property at 1029 Fayette in Washington Court House, Ohio. The current structure of this loan is set for 6.5% interest rate for 20 years due on 5/8/29. Payments and interest are due monthly. 80,285
- Obligation with MRDD of which the housing authority received a grant with the condition that the grant funds is used to acquire several properties. The properties are then to be rented to MRDD clients for the next 15 years. As long as the authority complies with this restriction, the grant funds is forgiven for each year that has expired. 47,225
- Mortgage payable for property at 1412 Lindberg in Washington Court House, Ohio. The current structure of this loan is set for 5.5% interest rate for 25 years due on 03/28/33. Payments and interest are due monthly. 41,545
- Mortgage payable for property at 1254 Dayton in Washington Court House, Ohio. The current structure of this loan is set for 7.0% interest rate for 20 years due on 07/08/30. Payments and interest are due monthly. 94,886

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

NOTE 7: LONG-TERM DEBT – (Continued)

Total Outstanding Debt	852,363
Less Current Portion	31,713
Total Long-term Debt	\$820,650

The following is a summary of changes in long-term liabilities for the year ended December 31, 2011:

Description	Balance 12/31/10	Issued	Retired	Round ADJ.	Balance 12/31/11	Due Within One Year
Loan Payable - Bank	\$826,178	\$0	\$21,039	(\$1)	\$805,138	\$22,329
MRDD Grant Funds Unexpired	56,609	0	9,384	0	47,225	9,384
TOTAL	\$882,787	\$0	\$30,423	(\$1)	\$852,363	\$31,713

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

Years	Principal	Interest	Total
2012	31,713	53,122	84,835
2013	33,252	51,583	84,835
2014	34,893	49,942	84,835
2015	36,650	48,188	84,838
2016	38,832	46,309	85,141
2017 to 2021	178,728	198,536	377,264
2022 to 2026	249,407	127,857	377,264
2027 to 2031	229,161	37,998	267,159
2032 to 2036	19,727	573	20,300
Total	852,363	614,108	1,466,471

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, 2011

	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	1 Business Activities	14.256 Neighborhood Stabilization Program	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	ELIM	Total
111 Cash - Unrestricted	147,757	20,826	8,930	0	61,702	5,000	27,534	0	271,749
113 Cash - Other Restricted	204,224	0	0	0	0	0	0	0	204,224
114 Cash - Tenant Security Deposits	0	0	2,794	0	0	0	0	0	2,794
100 Total Cash	351,981	20,826	11,724	0	61,702	5,000	27,534	0	478,767
122 Accounts Receivable - HUD Other Projects	2,335	11,107	0	0	0	22,407	0	0	35,849
124 Accounts Receivable - Other Government	4,000	0	0	11,280	0	0	0	0	15,280
128 Fraud Recovery	29,820	0	0	0	0	0	0	0	29,820
128.1 Allowance for Doubtful Accounts - Fraud	(29,820)	0	0	0	0	0	0	0	(29,820)
120 Total Receivables, Net of Allowances for Doubtful Accounts	6,335	11,107	0	11,280	0	22,407	0	0	51,129
142 Prepaid Expenses and Other Assets	0	0	115	0	0	0	0	0	115
144 Inter Program Due From	94,671	0	0	0	0	0	0	(94,671)	0
145 Assets Held for Sale	0	0	0	117,090	0	0	0	0	117,090
150 Total Current Assets	452,987	31,933	11,839	128,370	61,702	27,407	27,534	(94,671)	647,101
161 Land	0	0	18,300	0	0	0	0	0	18,300
162 Buildings	0	0	1,170,795	0	0	0	0	0	1,170,795
163 Furniture, Equipment & Machinery - Dwellings	0	0	22,376	0	0	0	0	0	22,376

Fayette Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

December 31, 2011

	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	1 Business Activities	14.256 Neighborhood Stabilization Program	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	ELIM	Total
164 Furniture, Equipment & Machinery - Administration	71,582	0	16,977	0	0	0	0	0	88,559
165 Leasehold Improvements	0	0	43,076	0	0	0	0	0	43,076
166 Accumulated Depreciation	(53,264)	0	(327,410)	0	0	0	0	0	(380,674)
160 Total Capital Assets, Net of Accumulated Depreciation	18,318	0	944,114	0	0	0	0	0	962,432
174 Other Assets	0	0	0	0	0	0	0	0	0
180 Total Non-Current Assets	18,318	0	944,114	0	0	0	0	0	962,432
190 Total Assets	471,305	31,933	955,953	128,370	61,702	27,407	27,534	(94,671)	1,609,533
331 Accounts Payable - HUD PHA Programs	0	0	0	0	46,324	0	0	0	46,324
332 Account Payable - PHA Projects	0	0	0	0	0	0	0	0	0
333 Accounts Payable - Other Government	0	0	0	0	0	0	0	0	0
341 Tenant Security Deposits	0	0	2,794	0	0	0	0	0	2,794
342 Deferred Revenues	0	0	0	0	0	0	0	0	0
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	0	0	31,713	0	0	0	0	0	31,713
344 Current Portion of Long-term Debt - Operating Borrowings	0	0	0	0	0	0	0	0	0
347 Inter Program - Due To	0	0	55,984	11,280	0	27,407	0	(94,671)	0
310 Total Current Liabilities	0	0	90,491	11,280	46,324	27,407	0	(94,671)	80,831

Fayette Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

December 31, 2011

	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	1 Business Activities	14.256 Neighborhood Stabilization Program	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	0	0	820,650	0	0	0	0	0	820,650
353 Non-current Liabilities - Other	27,453	0	0	0	0	0	0	0	27,453
350 Total Non-Current Liabilities	27,453	0	820,650	0	0	0	0	0	848,103
300 Total Liabilities	27,453	0	911,141	11,280	46,324	27,407	0	(94,671)	928,934
508.1 Invested In Capital Assets, Net of Related Debt	18,318	0	91,751	0	0	0	0	0	110,069
511.1 Restricted Net Assets	176,771	0	0	0	0	0	0	0	176,771
512.1 Unrestricted Net Assets	248,763	31,933	(46,939)	117,090	15,378	0	27,534	0	393,759
513 Total Equity/Net Assets	443,852	31,933	44,812	117,090	15,378	0	27,534	0	680,599
600 Total Liabilities and Equity/Net Assets	471,305	31,933	955,953	128,370	61,702	27,407	27,534	(94,671)	1,609,533
70300 Net Tenant Rental Revenue	0	0	125,548	0	0	0	0	0	125,548
70500 Total Tenant Revenue	0	0	125,548	0	0	0	0	0	125,548
70600 HUD PHA Operating Grants	1,480,001	71,021	0	0	277,150	27,407	128,000	0	1,983,579
70800 Other Government Grants	0	0	49,384	0	0	0	0	0	49,384
71100 Investment Income - Unrestricted	1,689	172	16	0	132	0	22	0	2,031
71400 Fraud Recovery	3,116	0	0	0	0	0	0	0	3,116

Fayette Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2011

	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	1 Business Activities	14.256 Neighborhood Stabilization Program	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	ELIM	Total
71500 Other Revenue	51,602	0	1,427	0	0	0	0	0	53,029
71600 Gain or Loss on Sale of Capital Assets	0	0	0	(23,000)	0	0	0	0	(23,000)
72000 Investment Income - Restricted	728	0	0	0	226	0	0	0	954
70000 Total Revenue	1,537,136	71,193	176,375	(23,000)	277,508	27,407	128,022	0	2,194,641
91200 Auditing Fees	3,938	261	0	0	1,229	0	0	0	5,428
91300 Management Fee	149,713	8,451	0	0	33,943	2,030	0	0	194,137
91310 Book-keeping Fee	3,431	266	2,893	0	1,090	0	0	0	7,680
91400 Advertising and Marketing	621	48	0	0	197	0	0	0	866
91600 Office Expenses	30,320	2,348	112	0	9,632	0	150	0	42,562
91800 Travel	1,731	134	0	0	550	0	0	0	2,415
91900 Other	12,125	939	0	0	3,852	0	0	0	16,916
91000 Total Operating - Administrative	201,879	12,447	3,005	0	50,493	2,030	150	0	270,004
92100 Tenant Services - Salaries	36,236	0	0	0	0	0	0	0	36,236
92500 Total Tenant Services	36,236	0	0	0	0	0	0	0	36,236
93800 Other Utilities Expense	0	0	2,011	0	0	0	0	0	2,011
93000 Total Utilities	0	0	2,011	0	0	0	0	0	2,011
94200 Ordinary Maintenance and Operations - Materials and Other	15,651	1,212	73,852	0	4,971	0	0	0	95,686
94000 Total Maintenance	15,651	1,212	73,852	0	4,971	0	0	0	95,686

Fayette Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

December 31, 2011

	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	1 Business Activities	14.256 Neighborhood Stabilization Program	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	ELIM	Total
96110 Property Insurance	0	0	617	0	0	0	0	0	617
96120 Liability Insurance	3,539	308	0	0	1,265	0	0	0	5,112
96130 Workmen's Compensation	444	0	0	0	0	0	0	0	444
96100 Total insurance Premiums	3,983	308	617	0	1,265	0	0	0	6,173
96200 Other General Expenses	0	0	423	0	0	0	0	0	423
96000 Total Other General Expenses	0	0	423	0	0	0	0	0	423
96710 Interest of Mortgage (or Bonds) Payable	0	0	54,973	0	0	0	0	0	54,973
96700 Total Interest Expense and Amortization Cost	0	0	54,973	0	0	0	0	0	54,973
96900 Total Operating Expenses	257,749	13,967	134,881	0	56,729	2,030	150	0	465,506
97000 Excess of Operating Revenue over Operating Expenses	1,279,387	57,226	41,494	(23,000)	220,779	25,377	127,872	0	1,729,135
97300 Housing Assistance Payments	1,223,876	59,917	0	0	230,548	25,377	100,338	0	1,640,056
97400 Depreciation Expense	5,801	449	45,210	0	1,843	0	0	0	53,303
90000 Total Expenses	1,487,426	74,333	180,091	0	289,120	27,407	100,488	0	2,158,865

Fayette Metropolitan Housing Authority

FDS Schedule Submitted to REAC

Proprietary Fund Type - Enterprise Fund

December 31, 2011

	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	1 Business Activities	14.256 Neighborhood Stabilization Program	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	49,710	(3,140)	(3,716)	(23,000)	(11,612)	0	27,534	0	35,776
11030 Beginning Equity	394,142	35,073	48,528	140,090	26,990	0	0	0	644,823
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	0	0	0	0	0	0	0	0	0
11170 Administrative Fee Equity	267,081	0	0	0	0	0	0	0	267,081
11180 Housing Assistance Payments Equity	176,771	0	0	0	0	0	0	0	176,771
11190 Unit Months Available	3,564	204	204	93	900	120	109	0	5,194
11210 Number of Unit Months Leased	3,214	201	204	93	834	45	109	0	4,700

Fayette Metropolitan Housing Authority
 Schedule of Expenditure of Federal Award
 For the Year Ended December 31, 2011

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Program</i>		
Supportive Housing for Persons with Disabilities	14.181	\$277,150
N/C S/R Section 8 Programs	14.182	71,021
Shelter Plus Care	14.238	27,407
Housing Choice Voucher	14.871	<u>1,480,001</u>
Total Direct Programs		<u>1,855,579</u>
<i>Pass through the Fayette County Commissioners</i>		
Home Investment Partnership Program	14.239	<u>128,000</u>
Total Pass through Programs		<u>128,000</u>
Total Expenditure of Federal Award		<u><u>\$1,983,579</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 Commissioners
Fayette Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of Fayette Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Fayette Metropolitan Housing Authority, Ohio, basic financial statements and have issued my report thereon dated June 7, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

Salvatore Consiglio, CPA, Inc.
June 7, 2012



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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 Commissioners
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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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. 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of Fayette Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Fayette Metropolitan Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Fayette Metropolitan Housing Authority's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Salvatore Consiglio, CPA, Inc.
June 7, 2012

Fayette Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

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

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

There are no Findings or questioned costs for the year ended December 31, 2011.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no Findings or questioned costs for the year ended December 31, 2011.

Fayette Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2011

The audit report for the fiscal year ending December 31, 2010 contained no audit findings.



Dave Yost • 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 02, 2012