



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**FAIRFIELD METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
Fairfield Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Fairfield Metropolitan Housing Authority, Fairfield County, prepared by Jones, Cochenour & Co. for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 19, 2002

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Fairfield Metropolitan Housing Authority, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Fairfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Fairfield Metropolitan Housing Authority, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 3, 2002 on our consideration of Fairfield Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Fairfield Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The financial data schedule ("FDS") is presented for purposes of 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 basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.
May 3, 2002

Fairfield Metropolitan Housing Authority
 Balance Sheet
 Proprietary Fund Type
 Enterprise Fund
 December 31, 2001

ASSETS

Cash and cash equivalents	\$	689,162
Investments		1,170,812
Intergovernmental accounts receivable		24,779
Receivables - net of allowance		14,338
Due from other funds		138,091
Inventories - net of allowance		9,411
Accounts receivable - other		16,960
Deferred charges and other assets		3,485
Fixed assets - net of accumulated depreciation		<u>6,931,309</u>

TOTAL ASSETS \$ 8,998,347

LIABILITIES

Accounts payable	\$	10,117
Due to other funds		138,091
Intergovernmental payables		235,209
Accrued compensated absences		13,968
Tenant security deposits		32,056
Deferred credits and other liabilities		<u>66,961</u>

TOTAL LIABILITIES 496,402

RETAINED EARNINGS AND OTHER CREDITS

Contributed capital		7,076,004
Undesignated retained earnings		<u>1,425,941</u>

TOTAL RETAINED EARNINGS AND OTHER CREDITS 8,501,945

**TOTAL LIABILITIES, RETAINED EARNINGS
 AND OTHER CREDITS** \$ 8,998,347

See accompanying notes to the general purpose financial statements

Fairfield Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001

OPERATING REVENUE	
Tenant revenue	\$ 281,364
Program operating grants/subsidies	3,316,461
Other income	<u>38,110</u>
TOTAL OPERATING REVENUE	3,635,935
 OPERATING EXPENSES	
Administrative	599,160
Utilities	12,947
Maintenance	205,374
General	34,069
Bad debts	14,190
Housing assistance payments	2,646,260
Depreciation	<u>333,038</u>
TOTAL OPERATING EXPENSES	<u>3,845,038</u>
NET OPERATING LOSS	(209,103)
 NON-OPERATING REVENUE	
Interest income	<u>83,215</u>
NET LOSS	(125,888)
RETAINED EARNINGS AND OTHER CREDITS, BEGINNING	8,605,374
 PRIOR PERIOD ADJUSTMENTS	
	<u>22,459</u>
RETAINED EARNINGS AND OTHER CREDITS, ENDING	<u>\$ 8,501,945</u>

RETAINED EARNINGS AND OTHER CREDITS DETAIL:

	<u>Total</u>	<u>Contributed Capital</u>	<u>Retained Earnings</u>
Beginning	\$ 8,605,374	\$ 7,675,581	\$ 929,793
Correction of error	-	(266,539)	266,539
Prior period adjustments	22,459	-	22,459
Net Loss	<u>(125,888)</u>	<u>(333,038)</u>	<u>207,150</u>
Ending	<u>\$ 8,501,945</u>	<u>\$ 7,076,004</u>	<u>\$ 1,425,941</u>

See accompanying notes to the general purpose financial statements

Fairfield Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:**

Net loss	\$	(125,888)
Adjustments to reconcile loss to net cash used by operating activities		
Depreciation		333,038
Debt forgiven		(80,603)
Prior period adjustment affecting residual receipts		22,459
(Increase) decrease in:		
Investments		(54,491)
Receivables - net of allowance		(28,642)
Inventories - net of allowance		17,127
Deferred charges and other assets		106,902
Increase (decrease) in:		
Accounts payable		174,947
Accrued compensated absences/payroll taxes		4,901
Tenant security deposits		8,750
Deferred credits and other liabilities		<u>(210,195)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	168,305
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets		<u>(158,417)</u>
 INCREASE IN CASH AND CASH EQUIVALENTS		9,888
 CASH AND CASH EQUIVALENTS, BEGINNING		<u>679,274</u>
 CASH AND CASH EQUIVALENTS, ENDING	 \$	 <u><u>689,162</u></u>

See accompanying notes to the general purpose financial statements

Fairfield Metropolitan Housing Authority
Notes to the general purpose financial statements
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Fairfield Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

The accompanying general purpose financial statements comply with the provision of GASB Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 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.

Fairfield Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2001 for all programs totaled \$83,215. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was \$6,900 for the year ended December 31, 2001.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The 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.

Fairfield Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

Budgetary Accounting

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

Estimates

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

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$-0- at December 31, 2001.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,000 at December 31, 2001.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended December 31, 2001. 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).

Fairfield Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions - Continued

- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

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

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

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

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

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

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

2. CASH AND INVESTMENTS

Cash

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

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

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

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

Fairfield Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

2. CASH AND INVESTMENTS - CONTINUED

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

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

Deposits: The carrying amount of the Authority's deposits totaled \$689,162. The corresponding bank balances totaled \$731,650.

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

Category 1:	\$100,000 was covered by federal depository insurance
Category 2:	\$631,650 was covered by specific collateral pledged by the financial institution in the name of the Authority.

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The total investments of \$1,170,812 are categorized as \$117,345 to Category A and \$1,053,467 to Category B.

Fairfield Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

4. RISK MANAGEMENT

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

5. FIXED ASSETS

The following is a summary:

Land	\$	914,570
Buildings		8,280,103
Furniture and equipment - dwellings		146,975
Furniture and equipment - administrative		133,139
Leasehold improvements		55,344
Construction in progress		<u>11,250</u>
		9,541,381
Accumulated depreciation		<u>(2,610,072)</u>
NET FIXED ASSETS	\$	<u>6,931,309</u>

The following is a summary of changes:

	<u>Balance</u> <u>Dec 31, 2000</u>	<u>Additions /</u> <u>Reclass</u>	<u>Deletions /</u> <u>Corrections</u>	<u>Balance</u> <u>Dec 31, 2001</u>
Land	\$ 920,058	\$ -	\$ 5,488	\$ 914,570
Buildings	8,213,419	66,684	-	8,280,103
Furniture and equipment - dwellings	146,975	-	-	146,975
Furniture and equipment - administrative	102,512	30,627	-	133,139
Leasehold improvements	-	55,344	-	55,344
Construction in progress	<u>-</u>	<u>11,250</u>	<u>-</u>	<u>11,250</u>
TOTAL FIXED ASSETS	<u>\$ 9,382,964</u>	<u>\$ 163,905</u>	<u>\$ 5,488</u>	<u>\$ 9,541,381</u>

The depreciation expense for the year ended December 31, 2001 was \$333,038.

Fairfield Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2001

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtaining by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority was required to contribute 9.35 percent through September 30. The calculation changed to .9565 times the employee's withheld amount effective July 1, 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$60,427, \$43,543, and \$43,715, respectively. The full amount has been contributed for 2000 and 2001. Ninety-three percent (93%) has been contributed for 2001, with the remainder being reported as a liability within the enterprise fund.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increased. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 401,339. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfounded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

9. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2001, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are on pages 12-15. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

Fairfield Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.872 PH Capital Fund	14.871 Sect. 8 Hsg Choice VO	14.871 Sect. 8 Hsg Choice VO	Metro Business Activity	14.872 PH Capital Fund	14.858 HOPE	14.235 Supportive Housing	TOTAL
ASSETS										
111	Cash - unrestricted	\$ 117,394	\$ -	\$ 274,743	\$ 183,626	\$ 38,660	\$ -	\$ 3,000	\$ -	\$ 617,423
113	Cash - other restricted	-	-	40,958	-	-	-	-	-	40,958
114	Cash - tenant security deposits	25,825	-	-	-	4,956	-	-	-	30,781
100	TOTAL CASH	143,219	-	315,701	183,626	43,616	-	3,000	-	689,162
122	Accounts receivable - HUD other proj	-	-	-	-	-	24,779	-	-	24,779
125	Accounts receivable - miscellaneous	-	-	117	-	648	-	-	-	765
126	A/R Tenants - dwelling rents	134	-	-	-	122	-	-	-	256
128	Fraud recoverv	-	-	32,724	-	-	-	-	-	32,724
128.1	Fraud recoverv - allowance	-	-	(18,642)	-	-	-	-	-	(18,642)
129	Accrued interest receivable	-	-	-	7,136	-	-	9,059	-	16,195
120	TOTAL ACCOUNTS RECEIVABLE	134	-	14,199	7,136	770	24,779	9,059	-	56,077
131	Investments - unrestricted	117,345	-	-	589,319	-	-	464,148	-	1,170,812
142	Prepaid expenses and other assets	3,140	-	345	-	-	-	-	-	3,485
143	Inventories	10,411	-	-	-	-	-	-	-	10,411
143.1	Allowance for obsolete inventory	(1,000)	-	-	-	-	-	-	-	(1,000)
144	Interprogram due from	25,661	-	108,122	-	4,308	-	-	-	138,091
150	TOTAL CURRENT ASSETS	298,910	-	438,367	780,081	48,694	24,779	476,207	-	2,067,038
161	Land	786,758	49,166	-	-	78,646	-	-	-	914,570
162	Buildings	7,750,414	157,830	-	-	299,439	72,420	-	-	8,280,103
163	Furniture and equipment - dwellings	115,237	12,575	-	-	19,163	-	-	-	146,975
164	Furniture and equipment - admin	37,538	64,553	4,218	-	-	26,830	-	-	133,139
165	Leasehold improvements	-	55,344	-	-	-	-	-	-	55,344
166	Accumulated depreciation	(2,432,753)	(39,626)	(4,218)	-	(128,313)	(5,162)	-	-	(2,610,072)
167	Construction in progress	-	-	-	-	11,250	-	-	-	11,250
160	TOTAL FIXED ASSETS, NET	6,257,194	299,842	-	-	280,185	94,088	-	-	6,931,309
180	TOTAL NON-CURRENT ASSETS	6,257,194	299,842	-	-	280,185	94,088	-	-	6,931,309
190	TOTAL ASSETS	\$ 6,556,104	\$ 299,842	\$ 438,367	\$ 780,081	\$ 328,879	\$ 118,867	\$ 476,207	\$ -	\$ 8,998,347

See independent auditors' report

Fairfield Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.872 PH Capital Fund	14.871 Sect. 8 Hsg Choice VO	14.871 Sect. 8 Hsg Choice VO	Metro Business Activity	14.872 PH Capital Fund	14.858 HOPE	14.235 Supportive Housing	TOTAL
LIABILITIES										
312	Accounts payable <=90 days	\$ 6,488	\$ -	\$ 3,104	\$ -	\$ 525	\$ -	\$ -	\$ -	\$ 10,117
322	Accrued compensated absences	4,712	-	8,310	-	946	-	-	-	13,968
331	Accounts payable - HUD PHA programs	-	-	12,774	121,822	-	-	-	-	134,596
333	Accounts payable - other govt	22,020	-	-	-	78,593	-	-	-	100,613
341	Tenant security deposits	27,100	-	-	-	4,956	-	-	-	32,056
342	Deferred revenue	840	-	-	-	238	-	-	-	1,078
347	Interprogram due to	<u>38,828</u>	-	<u>435</u>	-	<u>74,049</u>	<u>24,779</u>	-	-	<u>138,091</u>
310	TOTAL CURRENT LIABILITIES	99,988	-	24,623	121,822	159,307	24,779	-	-	430,519
353	Noncurrent liabilities - other	-	-	65,883	-	-	-	-	-	65,883
350	TOTAL NONCURRENT LIABILITIES	-	-	65,883	-	-	-	-	-	65,883
300	TOTAL LIABILITIES	99,988	-	90,506	121,822	159,307	24,779	-	-	496,402
513	TOTAL EQUITY	<u>6,456,116</u>	<u>299,842</u>	<u>347,861</u>	<u>658,259</u>	<u>169,572</u>	<u>94,088</u>	<u>476,207</u>	-	<u>8,501,945</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$ 6,556,104</u>	<u>\$ 299,842</u>	<u>\$ 438,367</u>	<u>\$ 780,081</u>	<u>\$ 328,879</u>	<u>\$ 118,867</u>	<u>\$ 476,207</u>	<u>\$ -</u>	<u>\$ 8,998,347</u>

See independent auditors' report

Fairfield Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.872 PH Capital Fund	14.871 Sect. 8 Hsg Choice VO	14.871 Sect. 8 Hsg Choice VO	Metro Business Activity	14.872 PH Capital Fund	14.858 HOPE	14.235 Supportive Housing	TOTAL
REVENUE										
703	Net tenant revenue	\$ 234,548	\$ -	\$ -	\$ -	\$ 46,807	\$ -	\$ -	\$ -	\$ 281,355
704	Tenant revenue - other	9	-	-	-	-	-	-	-	9
705	TOTAL TENANT REVENUE	234,557	-	-	-	46,807	-	-	-	281,364
706	PHA HUD grants	89,983	32,170	2,855,266	172,106	-	27,750	-	-	3,177,275
706.1	Capital contributions	-	58,056	-	-	-	81,130	-	-	139,186
711	Investment income - unrestricted	8,508	-	15,181	24,432	575	-	34,519	-	83,215
714	Fraud recovery	-	-	16,976	4,084	-	-	-	-	21,060
715	Other revenue	1,140	-	12,956	1,684	1,270	-	-	-	17,050
	TOTAL REVENUE	334,188	90,226	2,900,379	202,306	48,652	108,880	34,519	-	3,719,150
EXPENSES										
911	Administrative salaries	141,963	9,000	151,208	39,000	16,710	-	-	-	357,881
912	Auditing fees	2,567	-	2,460	-	256	-	-	-	5,283
914	Compensated absences	748	-	6,112	-	-	-	-	-	6,860
915	Employee benefit contribution - admin	51,511	-	42,186	5,605	8,583	-	-	-	107,885
916	Other operating - administrative	52,030	-	57,705	-	5,215	5,164	1,137	-	121,251
931	Water	1,097	-	-	-	348	-	-	-	1,445
932	Electricity	3,736	-	3,300	-	360	-	-	-	7,396
933	Gas	2,169	-	-	-	1,937	-	-	-	4,106
941	Ord maintenance/op - labor	61,888	-	-	-	11,608	-	-	-	73,496
942	Ord maintenance/op - materials	30,921	4,954	1,057	-	4,097	13,299	-	-	54,328
943	Ord maintenance/op - cont costs	27,338	5,557	11,023	-	5,769	5,787	-	-	55,474
945	Emp benefit contrib - ord main	22,076	-	-	-	-	-	-	-	22,076

See independent auditors' report

Fairfield Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.872 PH Capital Fund	14.871 Sect. 8 Hsg Choice VO	14.871 Sect. 8 Hsg Choice VO	Metro Business Activity	14.872 PH Capital Fund	14.858 HOPE	14.235 Supportive Housing	TOTAL
	EXPENSES - CONTINUED									
961	Insurance premiums	8,787	-	1,741	-	-	-	-	-	10,528
962	Other general expenses	-	-	1,521	-	-	-	-	-	1,521
963	PILOT	22,020	-	-	-	-	-	-	-	22,020
964	Bad debts - tenant rents	7,716	-	-	-	453	-	-	-	8,169
969	TOTAL OPERATING EXPENSES	436,567	19,511	278,313	44,605	55,336	24,250	1,137	-	859,719
970	EXCESS OPERATING REVENUE OVER EXPENSES	(102,379)	70,715	2,622,066	157,701	(6,684)	84,630	33,382	-	2,859,431
973	Housing Assistance Payments	-	-	2,488,559	157,701	-	-	-	-	2,646,260
974	Depreciation expense	297,326	21,952	-	-	8,987	4,773	-	-	333,038
975	Fraud bad debt	-	-	6,021	-	-	-	-	-	6,021
900	TOTAL EXPENSES	733,893	41,463	2,772,893	202,306	64,323	29,023	1,137	-	3,845,038
1010	Transfers in and transfers out	16,159	(12,659)	-	-	-	(3,500)	-	-	-
	EXCESS OF REVENUE									
1000	OVER EXPENSES	(383,546)	36,104	127,486	-	(15,671)	76,357	33,382	-	(125,888)
1103	Beginning equity	6,816,467	281,469	464,749	418,746	122,010	-	442,825	59,108	8,605,374
1104	Prior period adj/equity transfers	23,195	(17,731)	(244,374)	239,513	63,233	17,731	-	(59,108)	22,459
	ENDING EQUITY	\$ 6,456,116	\$ 299,842	\$ 347,861	\$ 658,259	\$ 169,572	\$ 94,088	\$ 476,207	\$ -	8,501,945

See independent auditors' report

**Fairfield Metropolitan Housing Authority
 Schedule of Federal Awards Expenditures
 December 31, 2001**

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>FROM U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850	89,983
Public Housing Capital Fund	14.872	199,106
Housing Assistance Payments:		
Annual Contribution -		
Section 8 - Housing Choice Vouchers	14.871	<u>3,027,372</u>
Total - All Programs		<u><u>\$ 3,316,461</u></u>

See independent auditors' report

**Fairfield Metropolitan Housing Authority
 Cost Certification of Comprehensive Grant Programs
 December 31, 2001**

Comprehensive Grant Number OH16-P070:	<u>905</u>	<u>906</u>
Operations	\$ 2,948	\$ 22,659
Management improvements	17,935	-
Administration	8,058	12,000
Fees and costs	18,798	15,000
Site improvement	37,104	55,343
Dwelling structure	67,849	86,588
Non-dwelling structure	26,834	12,581
Non-dwelling equipment	<u>60,474</u>	<u>499</u>
TOTAL EXPENDED	<u><u>\$ 240,000</u></u>	<u><u>\$ 204,670</u></u>
TOTAL RECEIVED	<u><u>\$ 240,000</u></u>	<u><u>\$ 204,670</u></u>

1. The final evaluation report was signed and filed on October 16, 2001 for 905 and 906, respectively.
2. The actual modernization cost certificate was signed and filed on October 17, 2001 for 905 and 906, respectively.
3. The final costs on the certificate agrees to the Authority's records.

See independent auditors' report



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

Board of Directors
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of Fairfield Metropolitan Housing Authority as of and for the year ended December 31, 2001, and have issued our report thereon dated May 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fairfield Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Jones, Cochenour & Co.
May 3, 2002



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

**Board of Directors
Fairfield Metropolitan Housing Authority
Lancaster, Ohio**

**Regional Inspector General of Audit
Department of Housing and Urban
Development**

Compliance

We have audited the compliance of Fairfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to its major federal program for the year ended December 31, 2001. Fairfield Metropolitan Housing Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Fairfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Fairfield Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Fairfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of Fairfield Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fairfield Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jones, Cochenour & Co.
May 3, 2002

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505

Fairfield Metropolitan Housing Authority
December 31, 2001

1. SUMMARY OF AUDITORS' RESULTS
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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)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were 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?	No
Major Programs (list):	Housing Choice Vouchers CFDA #14.871
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued**

**Fairfield Metropolitan Housing Authority
December 31, 2001**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2001.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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FAIRFIELD METROPOLITAN HOUSING AUTHORITY

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 13, 2002**