



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**FAYETTE METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

Board of Directors
Fayette Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Fayette Metropolitan Housing Authority, Fayette 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 Fayette 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

This Page is Intentionally Left Blank.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS**

	Page
Independent Auditors' Report	1
General Purpose Financial Statements:	
Balance Sheet – Proprietary Fund Type – Enterprise Fund	2
Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type – Enterprise Fund	3
Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	4
Notes to the General Purpose Financial Statements	5 – 10
Supplemental Data:	
Balance Sheet – (FDS schedule format)	11
Statement of Revenues, Expenses and Changes in Retained Earnings – (FDS schedule format)	12
Schedule of Federal Awards Expenditures	13
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	15 – 16
Schedule of Findings and Questioned Costs	17 – 18

This Page is Intentionally Left Blank.



INDEPENDENT AUDITORS' REPORT

Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Fayette 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 Fayette 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 Fayette 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 10, 2002 on our consideration of Fayette 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 Fayette 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 10, 2002

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

ASSETS

Cash and cash equivalents	\$ 258,909
Accounts receivable - HUD	4,780
Accounts receivable - miscellaneous	27,000
Tenant security deposits	2,794
Fixed assets - net of accumulated depreciation	<u>396,273</u>

TOTAL ASSETS \$ 689,756

LIABILITIES AND EQUITY

Accounts payable	\$ 59,000
Accounts payable - HUD	40,177
Tenant security deposits	2,794
Deferred revenues	100,393
Current portion of long-term debt	<u>3,650</u>

TOTAL CURRENT LIABILITIES 206,014

OTHER LIABILITIES

Other liabilities	16,410
Long-term debt	<u>313,067</u>

TOTAL LIABILITIES 535,491

EQUITY

Undesignated retained earnings	<u>154,265</u>
--------------------------------	----------------

TOTAL LIABILITIES AND EQUITY \$ 689,756

See accompanying notes to the general purpose financial statements

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

OPERATING REVENUE	
Program operating grants/subsidies	\$ 1,073,720
Fraud recovery	<u>270</u>
TOTAL OPERATING REVENUE	1,073,990
 OPERATING EXPENSES	
Housing assistance payments	865,278
Administrative contract services	67,974
Auditing fees	3,545
Employee benefit contract services contribution - administrative	18,888
Other operating - administrative	104,229
Insurance premiums	379
Depreciation expense	<u>13,927</u>
TOTAL OPERATING EXPENSES	<u>1,074,220</u>
NET OPERATING (LOSS)	(230)
 NON-OPERATING REVENUE	
Interest income	<u>7,063</u>
NET INCOME	6,833
BEGINNING EQUITY	142,493
 PRIOR PERIOD ADJUSTMENTS	
	<u>4,939</u>
ENDING EQUITY	<u><u>\$ 154,265</u></u>

See accompanying notes to the general purpose financial statements

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

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from HUD	\$ 1,024,529
Cash received from tenants	270
Cash payments for housing assistance payments	(865,278)
Cash payments for administrative	<u>(167,889)</u>
NET CASH USED BY OPERATING ACTIVITIES	(8,368)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(196,400)
Debt proceeds	146,000
Repayment of debt	(1,308)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment activity	<u>7,063</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(53,013)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>311,922</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 258,909</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net operating (loss)	\$ (230)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	13,927
Prior period adjustment affecting residual receipts	4,939
(Increase) decrease in:	
Intergovernmental receivables	
Receivables - net of allowance	(16,988)
Tenant security deposits	(2,794)
Increase (decrease) in:	
Accounts payable	20,428
Accounts payable - HUD	(49,191)
Other liabilities	7,113
Tenant security deposits	2,794
Deferred revenue	<u>11,634</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (8,368)</u></u>

See accompanying notes to the general purpose financial statements

Fayette 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 Fayette 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 HOPE 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.

Fayette 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 both programs totaled \$7,063. 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 \$2,721 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 – 40 years
Equipment – office	5 – 10 years

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.

Fayette 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

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).

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.

Fayette Metropolitan Housing Authority
Notes to the general purpose financial statements – continued
December 31, 2001

2. CASH AND INVESTMENTS

Cash

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

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

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

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

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

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

Deposits: The carrying amount of the Authority's deposits totaled \$261,703 (includes tenant security deposits). The corresponding bank balances totaled \$262,468.

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

Category 1:	\$100,000 was covered by federal depository insurance
Category 2:	\$162,468 was covered by specific collateral pledged by the financial institution in the name of the Authority.

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.

Fayette Metropolitan Housing Authority
Notes to the general purpose financial statements – continued
December 31, 2001

5. FIXED ASSETS

The following is a summary:

Buildings		\$	408,800
Furniture and equipment - administrative			<u>40,274</u>
			449,074
Accumulated depreciation			<u>(52,801)</u>
NET FIXED ASSETS			<u>\$ 396,273</u>

The following is a summary of changes:

	<u>Balance Dec 31, 2000</u>	<u>Additions / Reclass</u>	<u>Deletions / Corrections</u>	<u>Balance Dec 31, 2001</u>
Buildings	\$ 212,400	\$ 196,400	\$ -	\$ 408,800
Furniture and equipment - administrative	<u>40,274</u>	<u>-</u>	<u>-</u>	<u>40,274</u>
TOTAL FIXED ASSETS	<u>\$ 252,674</u>	<u>\$ 196,400</u>	<u>\$ -</u>	<u>\$ 449,074</u>

The depreciation expense for the year ended December 31, 2001 was \$13,927.

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

7. 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 11-12. 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.

Fayette Metropolitan Housing Authority
Notes to the general purpose financial statements – continued
December 31, 2001

8. LONG TERM DEBT

The Authority has interest bearing notes that are payable to Merchants National Bank. The interest rates average 6.75% and are due in monthly installments.

The summary of maturities of long-term debt for the four homes purchased are as follows:

	<u>364 Carolyn Road</u>	<u>834 Lincoln Drive</u>	<u>1029 South Fayette Street</u>	<u>842 Lincoln Avenue</u>	<u>Total</u>
2002	\$ 889	\$ 889	\$ 1,009	\$ 863	\$ 3,650
2003	886	886	1,080	947	3,799
2004	931	931	1,138	1,000	4,000
2005	1,004	1,004	87,950	77,670	167,628
2006	<u>68,820</u>	<u>68,820</u>	<u>-</u>	<u>-</u>	<u>137,640</u>
	72,530	72,530	91,177	80,480	316,717
			LESS CURRENT PORTION		<u>(3,650)</u>
			LONG TERM DEBT		<u>\$ 313,067</u>

To avoid the final balloon payments, it is the intent of the Authority to refinance the debt before the Year 2005.

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

FDS Line Item No.	Account Description	14.871 Sect. 8 Hsg Choice VO	14.857 Sect. 8 Rent Cert Prgm	14.182 Sect. 8 N/C S/R	14.858 HOPE I	TOTAL
ASSETS						
111	Cash - unrestricted	\$ 156,428	\$ -	\$ 63,244	\$ 22,827	\$ 242,499
113	Cash - other restricted	16,410	-	-	-	16,410
114	Cash - tenant security deposits	2,794	-	-	-	2,794
100	TOTAL CASH	175,632	-	63,244	22,827	261,703
122	Accounts receivable - HUD other proj	-	-	4,780	-	4,780
125	Accounts Receivable - Miscellaneous	27,000	-	-	-	27,000
120	TOTAL ACCOUNTS RECEIVABLE	27,000	-	4,780	-	31,780
150	TOTAL CURRENT ASSETS	202,632	-	68,024	22,827	293,483
162	Buildings	408,800	-	-	-	408,800
164	Furniture and equipment - admin	40,274	-	-	-	40,274
166	Accumulated depreciation	(52,801)	-	-	-	(52,801)
160	TOTAL FIXED ASSETS, NET	396,273	-	-	-	396,273
180	TOTAL NON-CURRENT ASSETS	396,273	-	-	-	396,273
190	TOTAL ASSETS	\$ 598,905	\$ -	\$ 68,024	\$ 22,827	\$ 689,756
LIABILITIES						
312	Accounts payable <=90 days	\$ 51,126	\$ -	\$ -	\$ 7,874	\$ 59,000
331	Accounts payable - HUD PHA programs	40,177	-	-	-	40,177
341	Tenant security deposits	2,794	-	-	-	2,794
342	Deferred Revenues	85,852	-	-	14,541	100,393
343	Current Portion of Long Term Debt	3,650	-	-	-	3,650
310	TOTAL CURRENT LIABILITIES	183,599	-	-	22,415	206,014
351	Long Term Debt	313,067	-	-	-	313,067
353	Noncurrent liabilities - other	16,410	-	-	-	16,410
350	TOTAL NONCURRENT LIABILITIES	329,477	-	-	-	329,477
300	TOTAL LIABILITIES	513,076	-	-	22,415	535,491
513	TOTAL EQUITY	85,829	-	68,024	412	154,265
600	TOTAL LIABILITIES AND EQUITY	\$ 598,905	\$ -	\$ 68,024	\$ 22,827	\$ 689,756

See independent auditors' report

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

FDS Line Item No.	Account Description	14.871 Sect. 8 Hsg Choice VO	14.857 Sect. 8 Rent Cert Prgm	14.182 Sect. 8 N/C S/R	14.855 Sect. 8 Rental VO	14.858 HOPE I	TOTAL
REVENUE							
706	PHA HUD grants	\$ 980,884	\$ -	\$ 48,298	\$ -	\$ 44,538	\$ 1,073,720
711	Investment income - unrestricted	5,461	-	1,525	-	77	7,063
714	Fraud recovery	270	-	-	-	-	270
	TOTAL REVENUE	<u>986,615</u>	<u>-</u>	<u>49,823</u>	<u>-</u>	<u>44,615</u>	<u>1,081,053</u>
EXPENSES							
911	Administrative salaries	64,079	-	3,895	-	-	67,974
912	Auditing fees	3,365	-	180	-	-	3,545
915	Employee benefit contribution - admin	17,806	-	1,082	-	-	18,888
916	Other operating - administrative	57,232	-	2,459	-	44,538	104,229
961	Insurance premiums	357	-	22	-	-	379
969	TOTAL OPERATING EXPENSES	<u>142,839</u>	<u>-</u>	<u>7,638</u>	<u>-</u>	<u>44,538</u>	<u>195,015</u>
970	EXCESS OPERATING REVENUE OVER EXPENSES	843,776	-	42,185	-	77	886,038
973	Housing Assistance Payments	824,696	-	40,582	-	-	865,278
974	Depreciation expense	13,927	-	-	-	-	13,927
900	TOTAL EXPENSES	<u>981,462</u>	<u>-</u>	<u>48,220</u>	<u>-</u>	<u>44,538</u>	<u>1,074,220</u>
EXCESS OF REVENUE OVER EXPENSES							
1000	OVER EXPENSES	5,153	-	1,603	-	77	6,833
1103	Beginning equity	-	51,545	66,422	24,251	275	142,493
1104	Prior period adi/equity transfers	80,676	(51,545)	(1)	(24,251)	60	4,939
	ENDING EQUITY	<u>\$ 85,829</u>	<u>\$ -</u>	<u>\$ 68,024</u>	<u>\$ -</u>	<u>\$ 412</u>	<u>\$ 154,265</u>

See independent auditors' report

**Fayette 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>		
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	980,885
Section 8 New Construction/Substantial Rehabilitation	14.182	48,298
HOPE for Public and Indian Housing Homeownership	14.858	<u>44,538</u>
Total - All Programs		<u><u>\$ 1,073,721</u></u>

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
Fayette Metropolitan Housing Authority
Washington Court House, Ohio**

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

We have audited the general purpose financial statements of Fayette Metropolitan Housing Authority as of and for the year ended December 31, 2001, and have issued our report thereon dated May 10, 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 Fayette 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 Fayette 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 10, 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
Fayette Metropolitan Housing Authority
Washington Court House, Ohio**

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

Compliance

We have audited the compliance of Fayette 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 the major federal program for the year ended December 31, 2001. Fayette 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 Fayette Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Fayette 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 Fayette 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 Fayette Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Fayette 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 Fayette 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 Fayette 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 10, 2002**

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

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

1. SUMMARY OF AUDITORS' RESULTS
--

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**

**Fayette 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

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 8, 2002**