

Preble Metropolitan Housing Authority

Basic financial statements

For the Year Ended March 31, 2005





**Auditor of State  
Betty Montgomery**

Board of Directors  
Preble Metropolitan Housing Authority  
719 South Main St.  
Dayton, OH 45402

We have reviewed the *Independent Auditor's Report* of the Preble Metropolitan Housing Authority, Preble County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period April 1, 2004 through March 31, 2005. 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 Preble Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

December 22, 2005

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PREBLE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED MARCH 31, 2005

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## Independent Auditors' Report

Board of Directors  
Preble Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying financial statements of the business-type activities of Preble Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2005, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Preble Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic 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 financial position of the business-type activities of the Preble Metropolitan Housing Authority, Ohio, as of March 31, 2005, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, Basic financial statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended and interpreted, as of April 1, 2004.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 27, 2005, on my consideration of Preble Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 read in conjunction with this report in considering the result 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 and opinion on the financial statements that collectively comprise the Preble Metropolitan Housing Authority basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



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Salvatore Consiglio, CPA, Inc.

October 27, 2005

**PREBLE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005**

UNAUDITED

The Preble 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 position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

**FINANCIAL HIGHLIGHTS**

- The Authority's net assets increased by \$1,177 (or 55 %) during 2005, resulting from change from Operations. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$2,140 and \$3,317 for 2004 and 2005 respectively.
- The Authority's total assets at March 31, 2005 were \$29,350 representing a decrease of \$6,919 from March 31, 2004.
- Revenues increased by \$31,308 (or 17%) during 2005, and were \$181,513 and \$212,821 for 2004 and 2005 respectively.
- The total expenses of all Authority programs increased by \$19,876 (or 10%). Total expenses were \$191,379 and \$211,255 for 2004 and 2005 respectively.

**USING THIS ANNUAL REPORT**

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

<b>MD&amp;A</b> ~Management's Discussion and Analysis – pgs 3-7~
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<b>Basic Financial Statement</b> ~Authority Basic financial statements – pgs 8-10~
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<b>Other Required Supplementary Information</b> ~Required Supplementary Information - pgs 18-19~
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**PREBLE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005**

UNAUDITED

**Authority basic financial statements**

The Authority basic 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 know 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.

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 or Debt", or "Restricted Net Assets".

The Authority basic financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenue, 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.

**Fund basic 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.

**PREBLE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005**

UNAUDITED

**The Authority's Programs**

The program maintained by the Authority is required by the Department of Housing and Urban Development:

**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.

**AUTHORITY 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**

**Table 1 - Condensed Statement of Net Assets Compared to Prior Year**

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 29,360	\$ 36,279
Total Assets	<u>29,360</u>	<u>36,279</u>
Current Liabilities	\$ 26,043	\$ 34,139
Unrestricted Net Assets	<u>3,317</u>	<u>2,140</u>
Total Liabilities and Net Assets	<u>\$ 29,360</u>	<u>\$ 36,279</u>

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

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

During 2005, current and other assets decreased by \$6,919, and total liabilities decreased by \$8,096. The current and other assets, primarily cash, decreased due to reduction in liability.

**PREBLE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005**

UNAUDITED

**TABLE 2 CHANGES OF UNRESTRICTED NET ASSETS**

Table 2 presents details on the change in Unrestricted Net Assets

Beginning Balance - March 31, 2004	\$	2,140
Prior Period Adjustment		(389)
Results of Operation		1,566
Ending Balance - March 31, 2005	\$	3,317

While the results of operations are 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 Business-Type Activities.

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b><u>Revenues</u></b>		
Operating Subsidies	\$ 212,414	\$ 181,352
Investment Income	407	161
<b>Total Revenues</b>	<b>212,821</b>	<b>181,513</b>
<b><u>Expenses</u></b>		
Administrative	44,618	38,623
General and Interest Expenses	901	874
Housing Assistance Payments	165,736	151,882
<b>Total Expenses</b>	<b>211,255</b>	<b>191,379</b>
<b>Net Increases (Decreases)</b>	<b>\$ 1,566</b>	<b>\$ (9,866)</b>

**PREBLE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005**

UNAUDITED

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

Total revenue increased by \$31,308 in comparison with prior year. Total revenue was \$181,513 and \$212,821 for fiscal year 2004 and 2005 respectively. The increase in revenue was mainly due to the change in how HUD is funding the authority for the Housing Choice Voucher Program.

The expenses increased by \$19,876 in comparison with prior year. Total expenses were \$191,379 and \$211,255 for fiscal year 2004 and 2005 respectively. The increase was mainly due to the increase in cost for Housing Assistance Payments.

**Capital Assets**

As of March 31, 2005 the Authority's had no investment in capital assets.

**Long-Term Liability**

The Housing Authority has no long term liabilities.

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of housing assistance payments
- Inflationary pressure on utility rates, supplies and other costs

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Stephen V. Pipenger, Vice President and CFO of the Preble Metropolitan Housing Authority, at (937) 341-5000. Specific requests may be submitted to the Preble Metropolitan Housing Authority at 719 South Main Street, Dayton, Ohio 45402.

**PREBLE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2005**

***ASSETS***

**Current assets**

Cash and cash equivalents	\$27,941
Receivables, net	1,419
<b>Total current assets</b>	<b><u>29,360</u></b>

**Noncurrent assets**

Building and equipment	295
Less accumulated depreciation	<u>(295)</u>
<b>Total noncurrent assets</b>	<b><u>0</u></b>

<b>Total assets</b>	<b><u><u>\$29,360</u></u></b>
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***LIABILITIES***

**Current liabilities**

Accounts payable	\$4,656
Accrued liabilities	194
Intergovernmental payables	7,099
Other current liabilities	<u>14,094</u>
<b>Total current liabilities</b>	<b><u>26,043</u></b>

<b>Total liabilities</b>	<b><u><u>\$26,043</u></u></b>
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***NET ASSETS***

Unrestricted net assets	<u>\$3,317</u>
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<b>Total net assets</b>	<b><u><u>\$3,317</u></u></b>
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The notes to the financial statements are an integral part of these statements.

**PREBLE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended March 31, 2005**

***OPERATING REVENUES***

Government operating grants	\$212,414
<b>Total operating revenues</b>	<b><u>212,414</u></b>

***OPERATING EXPENSES***

Administrative	44,618
General	901
Housing assistance payment	165,736
<b><i>Total operating expenses</i></b>	<b><u>211,255</u></b>
<b>Operating income (loss)</b>	<b><u>1,159</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	407
<b><i>Total nonoperating revenues (expenses)</i></b>	<b><u>407</u></b>

Change in net assets	1,566
Prior Period Adjustment	(389)
Total net assets - beginning	<u>2,140</u>
<b>Total net assets - ending</b>	<b><u><u>\$3,317</u></u></b>

The notes to the financial statements are an integral part of these statements.

**Preble Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type - Enterprise Fund  
 For the Year Ended March 31, 2005**

<b>Cash Flows from Operating Activities:</b>	
Cash received from grantor	210,995
Cash paid to suppliers	(54,004)
Cash Paid for Housing Assistance	(165,736)
Interest received	<u>407</u>
<b>Net cash provided by oprating activities</b>	<b><u>(8,338)</u></b>
Net Increase (Decrease) in Cash	(8,338)
Cash and cash equivalents - Beginning of Year	<u>36,279</u>
<b>Cash and cash equivalents - End of Year</b>	<b><u><u>\$27,941</u></u></b>
 <b>Reconciliation of Net Income to Cash Provided by Operating</b>	
Net income	\$1,566
Adjustments to Reconcile Net Income to net Cash Provided by Operating	
Prior Period Adjustment made by HUD for Admin Fee Earend	(389)
(Increase) Decrease in accounts receivable	(1,419)
Increase (Decrease) in accounts payable	(635)
Increase (Decrease) in accrued expenses	194
Increase (Decrease) in payable HUD	(12,924)
Increase (Decrease) in FSS Escrow payable	<u>5,269</u>
<b>Net cash provided by operating activities</b>	<b><u><u>(\$8,338)</u></u></b>

The notes to the financial statements are an integral part of these statements.

PREBLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The basic financial statements of the Preble 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.

In June 1999, GASB approved Statement No. 34, basic financial statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the basic financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying basic financial statements (including notes to the basic financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

**Reporting Entity**

The Preble 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 basic 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



PREBLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

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

**Basis of Presentation**

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

**Fund Accounting**

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

PREBLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Description of programs**

The Authority operates the Housing Choice Voucher Program as a single enterprise fund.

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

**Capital Assets**

Capital 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.

PREBLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

**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 balance 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 by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

**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 basic financial statements in conformity with generally accepted accounting principles 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 basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: CASH AND INVESTMENTS**

**Deposits** – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA's name.

PREBLE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2005  
 (CONTINUED)

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

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized.

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$29,067	\$29,067	\$ -0-	\$ -0-	\$27,941
Total Deposits	\$29,067	\$29,067	\$ -0-	\$ -0-	\$27,941

The entire bank balance was covered by federal depository insurance. The authority has no investments.

**NOTE 3: 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 March 31, 2005 the Authority contracted with Cincinnati Insurance Company for liability and property coverage of \$1,000,000.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

**NOTE 4: CAPITAL ASSETS**

The following is a summary:

Land	\$0
Buildings	0
Furniture, Machinery and Equipment	295
Total Capital Assets	<u>295</u>
Accumulated Depreciation	<u>(295)</u>
Net Capital Assets	<u><u>\$0</u></u>

PREBLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 4: CAPITAL ASSETS** (Continued)

The following is a summary of changes:

	<b><u>Balance</u></b> <b><u>03/31/04</u></b>	<b><u>Additions</u></b>	<b><u>Deletion</u></b>	<b><u>Balance</u></b> <b><u>03/31/05</u></b>
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Buildings	-0-	-0-	-0-	-0-
Furnt, Mach. and Equip. - Administrative	295	-0-	-0-	295
Total Fixed Assets	<u>\$ 295</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 295</u>

The depreciation expense For the Year Ended March 31, 2005 was \$0.

**NOTE 5: MANAGEMENT CONTRACT / RELATED PARTY TRANSACTION**

The Authority Contract with the Community Action Partnership of the Greater Dayton Area, a non-profit corporation, for the management and operations of its Housing Choice Voucher Program. The Authority does not have any employees, instead services are subcontracted from the Community Action Agency.

**NOTE 6: CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year ended March 31, 2005 the Preble Metropolitan Housing Authority implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic financial statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic financial statements for State and Local Governments: Omnibus; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures.

GASB Statement No. 34 creates new basic financial statements for reporting on the PMHA financial activities. The basic financial statements now include entity-wide basic financial statements prepared on an accrual basis of accounting and fund basic financial statements which present information for individual major funds rather than by fund type.

The entity-wide basic financial statements reflect only enterprise fund activities. The implementation of GASB 34 had no effect on the total enterprise fund equity. However, it did effect the classification of the equity.

PREBLE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 6: CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

The table below shows the reclassification adjustment necessary.

	Retained Earnings	Unrestricted Net Assets	Total
Beginning Balance	\$2,140	\$0	\$2,140
Reclassification- GASB 34	(2,140)	2,140	0
Restated Beginning Balance	0	2,140	2,140
Current Year (Loss)	0	1,566	1,566
Prior Period Adjust.	0	(389)	(389)
Ending Net Assets	\$0	\$3,317	\$3,317

Preble Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
March 31, 2005

Line Item No.	Account Description	Housing Choice Vouchers	Total
111	Cash – Unrestricted	\$13,847	\$13,847
113	Cash - Other Restricted	\$14,094	\$14,094
100	Total Cash	\$27,941	\$27,941
122	Accounts Receivable - HUD Other Projects	\$1,419	\$1,419
126.2	Allowance for Doubtful Accounts – Other	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$1,419	\$1,419
150	Total Current Assets	\$29,360	\$29,360
164	Furniture, Equipment & Machinery – Administration	\$295	\$295
166	Accumulated Depreciation	(\$295)	(\$295)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0
190	Total Assets	\$29,360	\$29,360
312	Accounts Payable <= 90 Days	\$4,656	\$4,656
321	Accrued Wage/Payroll Taxes Payable	\$194	\$194
331	Accounts Payable - HUD PHA Programs	\$7,099	\$7,099
345	Other Current Liabilities	\$14,094	\$14,094
310	Total Current Liabilities	\$26,043	\$26,043
300	Total Liabilities	\$26,043	\$26,043
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0
512.1	Unrestricted Net Assets	\$3,317	\$3,317
513	Total Equity/Net Assets	\$3,317	\$3,317
600	Total Liabilities and Equity/Net Assets	\$29,360	\$29,360

Preble Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
March 31, 2005

Line Item No.	Account Description	Housing Choice Vouchers	Total
706	HUD PHA Operating Grants	\$212,414	\$212,414
711	Investment Income – Unrestricted	\$407	\$407
700	Total Revenue	\$212,821	\$212,821
911	Administrative Salaries	\$0	\$0
912	Auditing Fees	\$2,260	\$2,260
913	Outside Management Fees	\$42,358	\$42,358
915	Employee Benefit Contributions - Administrative	\$0	\$0
916	Other Operating – Administrative	\$0	\$0
921	Tenant Services – Salaries	\$0	\$0
923	Employee Benefit Contributions - Tenant Services	\$0	\$0
961	Insurance Premiums	\$901	\$901
969	Total Operating Expenses	\$45,519	\$45,519
970	Excess Operating Revenue over Operating Expenses	\$167,302	\$167,302
973	Housing Assistance Payments	\$165,736	\$165,736
900	Total Expenses	\$211,255	\$211,255
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$1,566	\$1,566
1103	Beginning Equity	\$2,140	\$2,140
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$389)	(\$389)
	Ending Equity	\$3,317	\$3,317
1113	Maximum Annual Contributions Commitment (Per ACC)	\$210,720	\$210,720
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$39,672	\$39,672
1116	Total Annual Contributions Available	\$250,392	\$250,392
1120	Unit Months Available	624	624
1121	Number of Unit Months Leased	563	563





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

Board of Directors  
Preble Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of Preble Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2005, which collectively comprise the Preble Metropolitan Housing Authority, Ohio, basic financial statements and have issued my report thereon dated October 27, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered Preble Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My 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 reportable condition in which the design or operation of one or more of the internal components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Preble Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results 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 solely for the information and use of the board of directors, and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style. To the left of the signature is a vertical line, and below the signature is a horizontal line.

Salvatore Consiglio, CPA, Inc.

October 27, 2005

Preble Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
March 31, 2005

The audit report for the fiscal year ended March 31, 2004 contained no audit findings.





**Auditor of State  
Betty Montgomery**

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**PREBLE METROPOLITAN HOUSING AUTHORITY  
PREBLE 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  
DECEMBER 30, 2005**