

Preble Metropolitan Housing Authority

Financial Statements

For the Year Ended March 31, 2007



Mary Taylor, CPA

Auditor of State

Board of Directors
Preble Metropolitan Housing Authority
719 South Main Street
Dayton, Ohio 45402

We have reviewed the *Independent Auditors' Report* of the Preble Metropolitan Housing Authority, Preble County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period April 1, 2006 through March 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2007

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PREBLE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2007

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Independent Auditors' Report

Board of Directors
Preble Metropolitan Housing Authority

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, 2007, which collectively comprise the Authority 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 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, 2007, 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 12, 2007, 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 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 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respect in relation to the financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.

October 12, 2007

**PREBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007**

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 \$59,476 (or 440 %) during 2007, 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 \$45,972 and (\$13,504) for 2007 and 2006 respectively.
- The Authority's total assets at March 31, 2007 were \$62,956, representing an increase of \$44,451 from March 31, 2006.
- Revenues increased by \$16,859 (or 9%) during 2007, and were \$202,648 and \$185,789 for 2007 and 2006 respectively.
- The total expenses of all Authority programs decreased by \$41,200 (or 21%). Total expenses were \$156,442 and \$197,642 for 2007 and 2006 respectively.

USING THIS ANNUAL REPORT

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

MD&A ~Management's Discussion and Analysis – pgs 3-9~
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Basic Financial Statement ~Authority Financial statements – pgs 10-12~
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Other Required Supplementary Information ~Required Supplementary Information - pgs 17-18~

**PREBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007**

UNAUDITED

Authority financial statements

The Authority 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 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 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, 2007**

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

	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 62,302	\$ 18,505
Capital Assets net of Depreciation	654	-
Total Assets	<u>\$ 62,956</u>	<u>\$ 18,505</u>
Current Liabilities	\$ 16,984	\$ 32,009
Total Liabilities	<u>16,984</u>	<u>32,009</u>
Net Assets:		
Investment in Capital Assets Net of Debt	\$ 654	\$ -
Unrestricted Net Assets	<u>45,318</u>	<u>(13,504)</u>
Total Net Assets	<u>45,972</u>	<u>(13,504)</u>
Total Liabilities and Net Assets	<u>\$ 62,956</u>	<u>\$ 18,505</u>

**PREBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007**

UNAUDITED

Major Factors Affecting the Statement of Net Assets

During 2007, current and other assets increased by \$43,797, and total liabilities decreased by \$15,025. The current and other assets, primarily cash, increased due to result from operation. Current liabilities decrease because the Authority had the cash flows to payoff its obligations.

TABLE 2 CHANGES OF UNRESTRICTED NET ASSETS

Table 2 presents details on the change in Unrestricted Net Assets

Beginning Balance - March 31, 2006	\$	(13,504)
Prior Period Adjustment		13,270
Results of Operation		<u>46,206</u>
Ending Balance - March 31, 2007	\$	<u><u>45,972</u></u>

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.

**PREBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007**

UNAUDITED

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Operating Subsidies	\$ 201,989	\$ 185,704
Other Revenue	404	-
Investment Income	255	85
Total Revenues	<u>202,648</u>	<u>185,789</u>
<u>Expenses</u>		
Administrative	14,424	25,177
General and Interest Expenses	89	902
Housing Assistance Payments	141,910	171,563
Depreciation Expense	19	-
Total Expenses	<u>156,442</u>	<u>197,642</u>
Net Increases (Decreases)	<u>\$ 46,206</u>	<u>\$ (11,853)</u>

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

Total revenue increased by \$16,859 in comparison with prior year. Total revenue was \$202,648 and \$185,789 for fiscal year 2007 and 2006 respectively. The increase in revenue was mainly due to additional HUD funding received by the authority for the Housing Choice Voucher Program.

The expenses decreased by \$41,200 in comparison with prior year. Total expenses were \$156,442 and \$197,642 for fiscal year 2007 and 2006 respectively. The decrease was due to less management fee charged to the program and decrease in housing assistance expenses for the year. The decrease in housing assistance payment is due to less unit months leased for the year.

CAPITAL ASSETS

Capital Assets

As of year-end, the Authority had \$654 invested in a variety of capital assets as reflected in the following schedule, which represents a 100% increase from the end of last year.

**PREBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007**

UNAUDITED

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	<u>2007</u>	<u>2006</u>
Equipment	\$ 968	\$ 295
Accumulated Depreciation	<u>(314)</u>	<u>(295)</u>
 Total	 <u>\$ 654</u>	 <u>\$ -</u>

The following reconciliation identifies the change in Capital Assets.

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance - March 31, 2006	\$	-
Current year Additions		673
Current year Depreciation Expense		<u>(19)</u>
 Ending Balance - March 31, 2007	 \$	 <u><u>654</u></u>
 Current year Additions are summarized as follows:		
- Computer Server	\$	<u>673</u>
 Total 2007 Additions	 \$	 <u><u>673</u></u>

Debt Outstanding

The Housing Authority has no debt outstanding.

**PREBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2007**

UNAUDITED

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, 2007

ASSETS

Current assets

Cash and cash equivalents	\$62,302
Total current assets	<u>62,302</u>

Noncurrent assets

Capital assets:	
Building and equipment	968
Less accumulated depreciation	<u>(314)</u>
Total noncurrent assets	<u>654</u>

Total assets	<u><u>\$62,956</u></u>
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LIABILITIES

Current liabilities

Accounts payable	\$3,172
Other current liabilities	<u>13,812</u>
Total current liabilities	<u>16,984</u>

Total liabilities	<u><u>\$16,984</u></u>
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NET ASSETS

Invested in capital assets, net of related debt	\$654
Unrestricted net assets	<u>45,318</u>

Total net assets	<u><u>\$45,972</u></u>
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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, 2007

OPERATING REVENUES

Government operating grants	\$201,989
Other revenue	404
Total operating revenues	<u>202,393</u>

OPERATING EXPENSES

Administrative	14,424
General	89
Housing assistance payment	141,910
Depreciation	19
Total operating expenses	<u>156,442</u>
Operating income (loss)	<u>45,951</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	255
Total nonoperating revenues (expenses)	<u>255</u>
Income (loss) before contributions and transfers	46,206

Total net assets - beginning	(13,504)
Prior period adjustment	13,270
Total net assets - ending	<u><u>\$45,972</u></u>

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, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor	\$215,259
Other income received	404
Cash paid Operating Activities	(29,538)
Cash Paid for Housing Assistance	<u>(141,910)</u>

Net cash provided by oprating activities **44,215**

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	<u>255</u>
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Net cash provided (used) by investing activities **255**

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Property and equipment purchased	<u>(673)</u>
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Net cash provided (used) by capital and related activities **(673)**

Net Increase (Decrease) in Cash 43,797

Cash and cash equivalents - Beginning of Year 18,505

Cash and cash equivalents - End of Year **\$62,302**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss) \$45,951

Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:

Depreciation adjustment	19
Increase (Decrease) in accounts payable	(3,888)
Increase (Decrease) in accrued expenses	57
Increase (Decrease) in FSS Escrow payable	(11,194)
Prior Period Adjustment Affecting Cash	<u>13,270</u>

Net cash provided by operating activities **\$44,215**

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

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The 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.

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

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

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

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Presentation

The Authority's 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.

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.

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending March 31, 2007 totaled \$255.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$250 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

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.

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is required by contractual agreements to adopt annual operating budgets for its HUD funded program. The budget for its program is prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

Accounting and Reporting for Non-exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. Non-exchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

Estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

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

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

order of withdrawal (NOW) accounts, or in money market deposit accounts.

- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

At fiscal year end March 31, 2007, the carrying amount of the Authority's deposits totaled \$62,302 and its bank balance was \$63,213. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2007, the entire cash balance of \$63,213 was covered by the Federal Depository Insurance Corporation. The custodial credit risk for the Authority deposit is Category 1.

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, 2007 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.

PREBLE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2007
 (CONTINUED)

NOTE 4: PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$13,270 represents additional grant revenue received from HUD for settlement of Fiscal Year 2004.

NOTE 5: CAPITAL ASSETS

The following is a summary:

	Balance 03/31/06	Additions	Deletion	Balance 03/31/07
Capital Assets Being Depreciated:				
Furnt, Mach. & Equip. - Admin	295	673	0	968
Total Capital Assets Being Depreciated	295	673	0	968
Accumulated Depreciation:				
Furnt, Mach. & Equip. - Admin	(295)	(19)	0	(314)
Total Accumulated Depreciation	(295)	(19)	0	(314)
Total Capital Assets Being Depreciated, Net	0	654	0	654
Total Capital Assets, Net	\$0	\$654	\$0	\$654

NOTE 6: 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; all staffs are subcontracted from the Community Action Agency.

Preble Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
March 31, 2007

Line Item No.	Account Description	Housing Choice Vouchers
111	Cash - Unrestricted	\$48,490
113	Cash - Other Restricted	\$13,812
100	Total Cash	\$62,302
150	Total Current Assets	\$62,302
164	Furniture, Equipment & Machinery - Administration	\$968
166	Accumulated Depreciation	(\$314)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$654
180	Total Non-Current Assets	\$654
190	Total Assets	\$62,956
312	Accounts Payable <= 90 Days	\$3,172
345	Other Current Liabilities - FSS Escrow Payable	\$13,812
310	Total Current Liabilities	\$16,984
300	Total Liabilities	\$16,984
508.1	Invested in Capital Assets, Net of Related Debt	\$654
512.1	Unrestricted Net Assets	\$45,318
513	Total Equity/Net Assets	\$45,972
600	Total Liabilities and Equity/Net Assets	\$62,956
705	Total Tenant Revenue	\$0
706	HUD PHA Operating Grants	\$201,989
711	Investment Income - Unrestricted	\$255
715	Other Revenue	\$404
700	Total Revenue	\$202,648

Preble Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
March 31, 2007

Line Item No.	Account Description	Housing Choice Vouchers
912	Auditing Fees	\$2,399
913	Outside Management Fees	\$12,025
961	Insurance Premiums	\$89
969	Total Operating Expenses	\$14,513
970	Excess Operating Revenue over Operating Expenses	\$188,135
973	Housing Assistance Payments	\$141,910
974	Depreciation Expense	\$19
900	Total Expenses	\$156,442
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$46,206
1103	Beginning Equity	(\$13,504)
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$13,270
	Ending Equity	\$45,972
1120	Unit Months Available	509
1121	Number of Unit Months Leased	437
1117	Administrative Fee Equity	\$19,201
1118	Housing Assistance Payments Equity	\$26,771



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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, 2007, which collectively comprise the Preble Metropolitan Housing Authority, Ohio, financial statements and have issued my report thereon dated October 12, 2007. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Preble Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item PMHA-2007-1.

Preble Metropolitan Housing Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Preble Metropolitan Housing Authority's response and, accordingly, I express no opinion on it.

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

Salvatore Consiglio, CPA, Inc.

October 12, 2007

Preble Metropolitan Housing Authority
Schedule of Findings
March 31, 2007

SIGNIFICANT DEFICIENCY NUMBER PMHA-2007-1

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

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Audit procedures over 11 files revealed the following errors:

1. Two of the files reviewed revealed that the income was calculated wrong. This resulted in the tenants overpaying their share of rent.
2. One file revealed that the wrong bedroom size was used in calculating the utility allowance. The Authority used a 1 bedroom utility allowance; however, it appears that the individual was renting a 2 bedroom unit.
3. One file revealed that the wrong payment standard was used.

It was explained that the cause for the errors was because files were reviewed for quality assurance on a sample basis.

Recommendation:

The PHA must comply with the above regulations. The files should be reviewed to ascertain that the documentation is properly obtained and income is correctly calculated.

PHA Response:

The following corrective action will be implemented:

1. Correction will be made for the clients noted with errors. If necessary a refund will be send to the clients.
2. Files review will be increased to 100% in the current year.

The Executive Director will be responsible to implement the corrective action plan. It is anticipated that finding will be resolved by December 31, 2007.

Preble Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 March 31, 2007

The following are the status of the March 31, 2006 audit findings. Those findings not fully corrected are repeated in the 2007 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-1	Authority did not properly maintain the FSS Escrow Bank Account	Yes	Finding fully corrected. Authority properly maintained the FSS Escrow bank account and filed report with clients having escrow balances.
2006-2	Tenant files did not properly maintained supporting documentation	No	Finding not corrected. Audit procedures over tenant files revealed errors. Finding was repeated.



Mary Taylor, CPA
Auditor of State

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 4, 2007**