BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

of the

FAIRFIELD METROPOLITAN HOUSING AUTHORITY

for the

Year Ended December 31, 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
Fairfield Metropolitan Housing Authority
315 North Columbus Street
Lancaster, Ohio 43130

We have reviewed the *Independent Auditors' Report* of the Fairfield Metropolitan Housing Authority, Fairfield County, prepared by Jones, Cochenour & Co., for the audit period January 1, 2007 through December 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 Fairfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 2, 2008

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FAIRFIELD METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of Fairfield Metropolitan Housing Authority, as of and for the year ended December 31, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Fairfield Metropolitan Housing Authority's management. Our responsibility is to express opinions on these basic 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Fairfield Metropolitan Housing Authority, as of December 31, 2007, and the results of its operations and the cash flows of its proprietary fund 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 our report dated April 21, 2008 on our consideration of Fairfield Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the basic financial statements of the Authority taken as a whole. The FDS schedule and cost certifications are presented for purposes of additional analysis and are not a required part of the financial statements of the Fairfield Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. 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.

Jones, Cochenour & Co.
April 21, 2008

Unaudited

It is a privilege to present for you the financial picture of Fairfield Metropolitan Housing Authority. The Fairfield Metropolitan Housing Authority's (the "Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

The Authority's programs for the single enterprise fund are: Hope I, Disaster Housing Assistance (DHAP) and Other Business Activities (OBA).

- **The revenue increased by $1,155,966 (or 21.8%) during 2007, and was $6,463,344 and $5,307,378 for 2007 and 2006, respectively.**

- **The total expenses increased by $210,349 (4.1%). Total expenses were $5,306,976 and $5,096,627 for 2007 and 2006, respectively.**

USING THIS ANNUAL REPORT

The following graphic outlines the format of these financial statements:

MD&A **~ Management Discussion and Analysis ~**
Basic Financial Statements **~ Statement of Net Assets ~** **~ Statement of Revenues, Expenses and Changes in Net Assets ~** **~ Statement of Cash Flows ~** **~ Notes to Financial Statements ~**

The clearly preferable focus is on the Authority as a single enterprise fund. This format allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to 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 (as applicable):

> **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 Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.**

The 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 Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

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

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

The Authority's programs that are consolidated into a single enterprise fund are as follows:

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the authority's units.

Hope I – A grant program to develop and implement homeownership programs for low-income people.

Other Business Activity (OBA) – Represents activities of the authority that include providing affordable housing for low-income people outside of the scope of the conventional and housing choice voucher programs and includes properties transferred to the authority in 2007 from Lancaster Community Housing Corporation (Non-profit organization).

Unaudited

Disaster Housing Assistance Grant (DHAP) – The United States Department of Housing and Urban Development (HUD) is taking over long-term rental assistance for eligible families displaced by Hurricanes Katrina and Rita from the Federal Emergency Management Agency (FEMA) through a program called Disaster Housing Assistance Program (DHAP). With an interagency agreement between HUD and FEMA, DHAP will be administered through local housing authorities and will be vital for helping families return to self-sufficiency. Participants on this program receive a Housing Choice Voucher.

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to prior year.

TABLE 1
STATEMENT OF NET ASSETS

	2007	RESTATED 2006
Current and Other Assets	$ 2,391,257	$ 1,827,122
Capital Assets	6,563,674	5,527,461
TOTAL ASSETS	8,954,931	7,354,583
Current Liabilities	144,237	120,098
Long-term liabilities	446,879	27,038
TOTAL LIABILITIES	591,116	147,136
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,449,069	5,527,461
Restricted net assets - HAP	516,530	-
Unrestricted	1,398,216	1,679,986
TOTAL NET ASSETS	$ 8,363,815	$ 7,207,447

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Increases in current assets and long-term liabilities are due to acquiring funds in anticipated final settlement of the OIG audit. The changes in net assets are due to the capital assets activities, see Table 4.

Unaudited

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	2007	2006
Revenues		
Tenant Revenue - Rents and Other	$ 256,256	$ 196,879
Operating Subsidies and Grants	4,867,813	4,757,348
Capital Grants	165,052	122,423
Donation of Properties from non-profit (LCHC)	1,114,444	-
Investment Income	59,779	230,728
TOTAL REVENUE	6,463,344	5,307,378
Expenses		
Administration	820,468	764,611
Tenant Services	38	-
Utilities	17,150	16,553
Maintenance	175,581	147,423
General	26,153	25,354
PILOT	16,636	17,688
Housing Assistance Payment	3,891,313	3,780,759
Depreciation	360,988	337,623
Bad Debt/Fraud Losses	(1,351)	6,616
TOTAL EXPENSES	5,306,976	5,096,627
CHANGE IN NET ASSETS	$ 1,156,368	$ 210,751

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

Comparisons between the years reflect increases in the operating subsidy in the Section 8 program and additional rental income attributed to the acquisition of rental properties in the OBA. The donation of properties from the non-profit (LCHC) in the amount of $1,114,444 was the main factor in the increase of total revenue. The decrease in other income is due to the previous year including the sale of the office building. Expenses are up mainly due to increases in Housing Assistance payments and maintenance on newly acquired rental properties.

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had $6,563,674 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of $1,036,213.

TABLE 3
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	2007	2006
Land and Land Rights	$ 953,074	$ 829,384
Buildings	9,608,555	8,249,284
Equipment - Administrative	263,847	230,679
Equipment - Dwellings	149,238	149,238
Leasehold Improvements	178,542	108,044
Construction in Progress	3,100	-
Accumulated Depreciation	(4,592,682)	(4,039,168)
	-	
TOTAL	$ 6,563,674	$ 5,527,461

The following reconciliation summarizes the change in Capital Assets.

TABLE 4
CHANGE IN CAPITAL ASSETS

BEGINNING BALANCE - NET	$ 5,527,461
Additions - OBA	114,605
Construction in Progress	3,100
Additions - Capital Funds	165,052
Donation from non-profit	1,114,444
Depreciation Expense	(360,988)
ENDING BALANCE	$ 6,563,674
Depreciation Expense - Section 8	$ (11,779)
Depreciation Expense - Capital Funds	(19,847)
Depreciation Expense - OBA	(23,246)
Depreciation Expense - PH	(306,116)
TOTAL DEPRECIATION	$ (360,988)
Additions - OBA	$ 114,605
Construction in Progress - OBA	3,100
Additions - Capital Fund	165,052
TOTAL ADDITIONS	$ 282,757

Unaudited

DEBT ADMINISTRATION

During the year The Authority opened a line of credit in the amount of $700,000 and used the line to buy the Grace Haven House in the amount of $114,605 and for repayment of the HOPE I program of $296,254. The remaining balance of the equity line unused was $289,141. The source of funds was not acceptable to HUD for the repayment to the HOPE I program from the recommendation of 2005 OIG audit finding and the loan was paid back in 2008.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- **Federal funding levels of 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 rental income**
- **Inflationary pressure on utility rates, supplies and other costs**
- **Market rates for rental housing**

IN CONCLUSION

Fairfield Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Bruce Burns, Executive Director of the Fairfield Metropolitan Housing Authority at (740) 653-6618.

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2007

ASSETS		
Cash and cash equivalents	$	1,197,648
Restricted cash and cash equivalents		583,927
Investments		344,521
Receivables - net of allowance		220,996
Inventories - net of allowance		16,659
Prepaid expenses and other assets		27,506
TOTAL CURRENT ASSETS		2,391,257
CAPITAL ASSETS		
Land		953,074
Other capital assets - net		5,610,600
		6,563,674
TOTAL ASSETS		8,954,931
LIABILITIES		
Accounts payable		20,826
Intergovernmental payables		16,636
Accrued wages/payroll taxes		28,608
Accrued compensated absences - current		19,807
Tenant security deposits		46,792
Note payable - current		7,012
Other current liabilities		4,556
TOTAL CURRENT LIABILITIES		144,237
Note payable - non-current		403,847
Accrued compensated absences - non-current		437
FSS/ Health insurance liability		42,595
TOTAL LIABILITIES		591,116
NET ASSETS		
Invested in capital assets - net of related debt		6,449,069
Restricted net assets		516,530
Unrestricted net assets		1,398,216
NET ASSETS	$	8,363,815

See accompanying notes to the basic financial statements

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2007

OPERATING REVENUES		
Tenant revenue	$	225,965
Operating Subsidies and Grants		4,867,813
Investment Income / Other Revenues		30,291
TOTAL OPERATING REVENUES		5,124,069
OPERATING EXPENSES		
Administrative		820,468
Tenant services		38
Utilities		17,150
Maintenance		175,581
General		26,153
PILOT		16,636
Housing assistance payments		3,891,313
Depreciation		360,988
Bad debt / Fraud losses		(1,351)
TOTAL OPERATING EXPENSES		5,306,976
OPERATING LOSS		(182,907)
NON-OPERATING REVENUE		
Interest income		59,779
HUD capital grants		165,052
Donation from non-profit		1,114,444
TOTAL NON-OPERATING REVENUE		1,339,275
CHANGE IN NET ASSETS		1,156,368
NET ASSETS BEGINNING OF YEAR - RESTATED		7,207,447
NET ASSETS END OF YEAR	$	8,363,815

See accompanying notes to the basic financial statements

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from HUD	$	4,780,067
Cash received from tenants		243,117
Cash payments for housing assistance payments		(3,891,313)
Cash payments for administrative/operations		(1,030,104)
Cash payments to HUD and other government		(17,688)
NET CASH PROVIDED BY OPERATING ACTIVITIES		84,079
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received for capital assets		165,052
Acquisition of capital assets		(282,757)
Loan proceeds		410,859
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfer of investments/cash from non-profit		223,915
Investment income		59,668
Change in investments		(160,922)
INCREASE IN CASH AND CASH EQUIVALENTS		499,894
CASH AND CASH EQUIVALENTS, BEGINNING		1,281,681
CASH AND CASH EQUIVALENTS, ENDING	$	1,781,575
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$	(182,907)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		360,988
Prior period adjustments		(28,732)
(Increase) decrease in:		
Intergovernmental receivables		(87,746)
Receivables - net of allowance		(12,439)
Inventories - net of allowance		1,158
Prepaid expenses and other assets		8,535
Increase (decrease) in:		
Accounts payable		4,510
Intergovernmental payables		(1,052)
Accrued wages/payroll taxes		5,924
Accrued compensated absences		(8,626)
Tenant security deposits		3,942
Deferred credits and other liabilities		20,524
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	84,079

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Fairfield Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- **The financial statements include:**
  - **A Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.**

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

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

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

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

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 organizations.

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 basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

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

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

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

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on the size and age of the units.

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

Hope I – A grant program to develop and implement homeownership programs for low-income people.

Other Business Activity (OBA) – Represents activities of the authority that include providing affordable housing for low-income people outside of the scope of the conventional and housing choice voucher programs and includes properties transferred to the authority in 2007 from Lancaster Community Housing Corporation (Non-profit organization).

Disaster Housing Assistance Grant (DHAP) – The United States Department of Housing and Urban Development (HUD) is taking over long-term rental assistance for eligible families displaced by Hurricanes Katrina and Rita from the Federal Emergency Management Agency (FEMA) through a program called Disaster Housing Assistance Program (DHAP). With an interagency agreement between HUD and FEMA, DHAP will be administered through local housing authorities and will be vital for helping families return to self-sufficiency. Participants on this program receive a Housing Choice Voucher.

Accounting and Reporting for Nonexchange Transactions

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deferred Revenue
Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Prepaid expenses
Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

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 2007 for all programs totaled $55,779. Certificates of deposits with maturities greater than three months are considered investments.

Capital 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 Authority's capitalization policy is $2,000. The following are the useful lives used for depreciation purposes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15

Accrued Liabilities

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

Net Assets

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Operating expenses are those expenses that are generated from the primary activity of the proprietary fund.

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.

Compensated Absences

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

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables – net of allowance
Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for receivables was $114,400 at December 31, 2007.

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $1,850 at December 31, 2007.

Due to/Due From Programs
These are reflected in the FDS and eliminated for the basic financial statement.

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 $1,781,575. The corresponding bank balances totaled $1,815,402.

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

Category 1:	**$100,000 was covered by federal depository insurance**
Category 2:	**$1,715,402 was covered by specific collateral pledged by the financial institution in the name of the Authority.**

Investments
HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse

2. CASH AND INVESTMENTS

Investments - Continued

repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The Authority had investments of Certificates of Deposits in excess of three months maturities in the amount of $344,521 at December 31, 2007.

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

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 coverage's and no settlements exceeded insurance coverage during the past three years.

5. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 12/31/2006	Net Additions	Donation from non-profit	Balance 12/31/2007
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	$ 829,384	$ -	$ 123,690	$ 953,074
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	829,384	-	123,690	953,074
CAPITAL ASSETS BEING DEPRECIATED				
Building and Improvements	$ 8,357,328	$ 265,960	$ 1,163,809	$ 9,787,097
Furniture and Equipment	379,917	13,697	19,471	413,085
Construction in Progress	-	3,100	-	3,100
Totals at Historical Costs	8,737,245	282,757	1,183,280	10,203,282
Less: Accumulated Depreciation	(4,039,168)	(360,988)	(192,526)	(4,592,682)
TOTAL CAPITAL ASSETS	$ 5,527,461	$ (78,231)	$ 1,114,444	$ 6,563,674
Accumulated Depreciation by Class:				
Building and Improvements				$ (4,336,851)
Furniture and Fixtures				(255,831)
TOTAL ACCUMULATED DEPRECIATION				$ (4,592,682)

Depreciation expense for 2007 was $360,998.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

a. **The Traditional Pension Plan (TP) – cost-sharing multiple-employer defined benefit pension plan.**
b. **The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year.) Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.**
c. **The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.**

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by statement statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement system, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 9.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.77 percent of covered payroll during 2007. The Authority's required contributions, including the pick up portion for certain employees for the years ended December 31, 2007, 2006 and 2005 were $73,198, $64,564 and $65,055 respectively. All required payments of contributions have been made through December 31, 2007.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. **Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.**

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Pension must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of Post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units contributed at a rate of 13.85% of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007.

B. **The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS.**

C. **Summary of Assumptions:**

Actuarial Review – The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2006.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

Funding Method- The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2006 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 5.00% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

D. OPEB is advance-funded on an actuarially determined basis. The following disclosures are required:

1. **The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130.**

2. **The rates stated in Section A, above, are the contractually required contribution rates for OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portion of your employer contributions that were used to fund post-employment benefits can be approximated by multiplying actual employer contributions for January 1 through June 30, 2007 by 0.3610 for local government employers. For the period July 1 through December 31, 2007, multiply the actual employer contributions by 0.4332 for local government employers.**

3. **The amount of $12.0 billions represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006.**

4. **Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at $30.7 billion and $18.7 billion, respectively.**

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2007, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF PRIOR YEAR'S NET ASSETS

	Total	Invested in Capital Assets - Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	$ 6,954,800	$ 5,527,461	$ 1,427,339
Prior period adjustments:			
Transfer of investments/cash from non-profit per OIG report	223,915	-	223,915
Correction of RR mortgage- not amortized correctly	7,899	-	7,899
HAP paid in 2007 for 2006	973	-	973
Set up fraud receivables not previously recorded	79,420	-	79,420
Set up allowance for fraud receivables not previously recorded	(59,560)	-	(59,560)
Prior period adjustment	252,647	-	252,647
Net Assets, Beginning of Year, Restated	$ 7,207,447	$ 5,527,461	$ 1,679,986

10. SETTLEMENT WITH OIG

In 2005, the Fairfield Metropolitan Housing Authority was audited by the Office of the Inspector General (OIG) of which a partial settlement of a financially accountable recommendation remains. After non-approval of two different recommendations of a source of funds for the remaining $296,254 to be replaced to the homeownership account a proposal has been made to transfer non-federal properties to satisfy the audit finding. The agency is currently awaiting final approval from HUD.

11. ADMINISTRATIVE SERVICES CONTRACT

The FMHA and the LCHC continue to look for ways to partner together to further their respective missions of providing housing options to low-income residents. In the past they have entered into an administrative service agreement wherein the LCHC provided services for non-federal programs for the FMHA. However, due to restructuring within the LCHC, the administrative service contracts have been cancelled. In addition, in April of 2007, the LCHC returned ownership of several properties to the FMHA, including the current office building that both agencies occupy. The value of the transfer and donation to FMHA from the LCHC which included several parcels of real estate valued and the $223,915 in cash exceeded $2,000,000. The FMHA has continued the LCHC's program of renting the residential properties to eligible low-income families. Both agencies are committed to finding additional resources to provide for the housing needs of low-income families but at this time have no plans to share resources in accomplishing this.

12. LITIGATION

The Authority terminated an employee, who subsequently filed for wrongful termination and is seeking damages for back pay, compensatory damages and attorney fees. Management of the Authority, upon advice from their attorney, believes the lawsuit is without merit and is defending this matter. A trial has been scheduled for September 2008, however, the Organization has filed a motion for summary judgment. The ultimate outcome of the case is presently uncertain. The Organization has insurance that would cover an unfavorable outcome and the liability would be limited to $5,000, the amount of the deductible. The accompanying financial statements do not include any adjustments that might be necessary should the case result in an unfavorable outcome.

13. NOTES PAYABLE

The Authority obtained a promissory note on November 29, 2007 in the amount of $700,000. The Authority used $114,605 to acquire Grace Haven House and $296,254 to reimburse the HOPE I program in anticipation of settling the 2005 OIG audit finding. Upon subsequent non-approval from HUD as a source of funds for the audit finding the amount was repaid. The outstanding balance on this note at December 31, 2007 was $410,859.
The following is the five year amortization schedule:

2008	7,012
2009	39,661
2010	42,285
2011	42,017
2012	45,110
2013 and there after	234,774
Total	$ 410,859

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2007

FDS Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Hope I	Housing Choice Vouchers	Public Housing Capital Fund Program	Disaster Housing Assistance Grant	TOTAL
	ASSETS							
111	Cash - unrestricted	$ 2,820	$ 379,926	$ 316,557	$ 498,345	$ -	$ -	$ 1,197,648
113	Cash - other restricted	-	-	-	537,135	-	-	537,135
114	Cash - tenant security deposits	3,850	42,942	-	-	-	-	46,792
100	TOTAL CASH	6,670	422,868	316,557	1,035,480	-	-	1,781,575
122	Accounts receivable - HUD other proj	-	-	-	1,000	179,559	-	180,559
125	Accounts receivable - miscellaneous	718	405	-	2,921	-	-	4,044
126	A/R tenants - dwelling rents	-	22,805	-	-	-	-	22,805
126.1	Allowance for doubtful accts	-	(14,800)	-	-	-	-	(14,800)
128	Fraud recovery	-	-	-	127,434	-	-	127,434
128.1	Fraud recovery - allowance	-	-	-	(99,600)	-	-	(99,600)
129	Accrued interest receivable	-	554	-	-	-	-	554
120	TOTAL ACCOUNTS RECEIVABLE	718	8,964	-	31,755	179,559	-	220,996
131	Investments - unrestricted	96,033	116,314	132,174	-	-	-	344,521
142	Prepaid expenses and other assets	1,633	19,823	-	6,050	-	-	27,506
143	Inventories	-	18,509	-	-	-	-	18,509
143.1	Allowance for obsolete inventory	-	(1,850)	-	-	-	-	(1,850)
144	Interprogram due from	296,254	177,546	-	73,633	-	9,292	556,725
150	TOTAL CURRENT ASSETS	401,308	762,174	448,731	1,146,918	179,559	9,292	2,947,982
161	Land	123,690	829,384	-	-	-	-	953,074
162	Buildings	1,207,916	8,039,330	-	-	361,309	-	9,608,555
163	Furniture and equipment - dwellings	-	149,238	-	-	-	-	149,238
164	Furniture and equipment - admin	19,471	143,867	-	70,019	30,490	-	263,847
165	Leasehold improvements	70,498	55,344	-	-	52,700	-	178,542
166	Accumulated depreciation	(215,772)	(4,293,584)	-	(44,800)	(38,526)	-	(4,592,682)
167	Construction in progress	3,100	-	-	-	-	-	3,100
160	TOTAL FIXED ASSETS, NET	1,208,903	4,923,579	-	25,219	405,973	-	6,563,674
180	TOTAL NON-CURRENT ASSETS	1,208,903	4,923,579	-	25,219	405,973	-	6,563,674
190	TOTAL ASSETS	$ 1,610,211	$ 5,685,753	$ 448,731	$ 1,172,137	$ 585,532	$ 9,292	$ 9,511,656

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2007

FDS Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Hope I	Housing Choice Vouchers	Public Housing Capital Fund Program	Disaster Housing Assistance Grant	TOTAL
	LIABILITIES							
312	Accounts payable <=90 days	$ 4,112	$ 6,836	$ 32	$ 7,833	$ 2,013	$ -	$ 20,826
321	Accrued wages/payroll taxes	695	11,718	183	16,012	-	-	28,608
322	Accrued compensated absences - current	793	8,580	245	10,189	-	-	19,807
333	Accounts payable - other govt	-	16,636	-	-	-	-	16,636
341	Tenant security deposits	3,850	42,942	-	-	-	-	46,792
343	Short term notes payable	7,012	-	-	-	-	-	7,012
345	Other current liabilities	-	-	-	4,556	-	-	4,556
347	Interprogram due to	6,602	67,031	296,254	9,292	177,546	-	556,725
310	TOTAL CURRENT LIABILITIES	23,064	153,743	296,714	47,882	179,559	-	700,962
351	Capital projects/Mortgage revenue	114,605	-	-	-	-	-	114,605
352	Operating Borrowings	289,242	-	-	-	-	-	289,242
354	Accrued compensated absences	-	-	-	437	-	-	437
353	Other long term liabilities	-	-	-	42,595	-	-	42,595
350	TOTAL NONCURRENT LIABILITIES	403,847	-	-	43,032	-	-	446,879
300	TOTAL LIABILITIES	426,911	153,743	296,714	90,914	179,559	-	1,147,841
508.1	Capital assets net of related debt	1,094,298	4,923,579	-	25,219	405,973	-	6,449,069
	RESTRICTED NET ASSETS	-	-	-	516,530	-	-	516,530
	UNRESTRICTED NET ASSETS	89,002	608,431	152,017	539,474	-	9,292	1,398,216
513	TOTAL EQUITY	1,183,300	5,532,010	152,017	1,081,223	405,973	9,292	8,363,815
300	TOTAL LIABILITIES AND EQUITY	$ 1,610,211	$ 5,685,753	$ 448,731	$ 1,172,137	$ 585,532	$ 9,292	$ 9,511,656

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FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, CHANGES IN NET ASSETS AND ENDING EQUITY
Year Ended December 31, 2007

FDS Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Hope I	Housing Choice Vouchers	Public Housing Capital Fund Program	Disaster Housing Assistance Program	TOTAL
	REVENUE							
703	Net tenant revenue	$ 26,401	$ 197,057	$ -	$ -	$ -	$ -	$ 223,458
704	Tenant revenue - other	-	2,507	-	-	-	-	2,507
705	TOTAL TENANT REVENUE	26,401	199,564	-	-	-	-	225,965
706	HUD PHA grants	-	193,210	-	4,619,666	45,645	9,292	4,867,813
706.1	Capital grants	-	-	-	-	165,052	-	165,052
711	Investment income - unrestricted	3,000	17,514	5,871	18,245	-	-	44,630
714	Fraud recovery	-	-	-	14,410	-	-	14,410
715	Other revenue	1,114,528	325	-	15,472	-	-	1,130,325
720	Investment income - restricted	92	-	-	15,057	-	-	15,149
700	TOTAL REVENUE	1,144,021	410,613	5,871	4,682,850	210,697	9,292	6,463,344
	EXPENSES							
911	Administrative salaries	8,940	160,352	1,999	314,434	-	-	485,725
912	Auditing fees	-	4,656	-	3,240	-	-	7,896
915	Employee benefit contribution - admin	2,346	42,021	439	90,716	-	-	135,522
916	Other operating - administrative	7,839	66,566	2,938	113,982	-	-	191,325
924	Tenant services - other	-	38	-	-	-		38
931	Water	-	2,666	-	834	-	-	3,500
932	Electricity	1,818	5,541	-	3,591	-	-	10,950
933	Gas	-	1,086	-	1,614	-	-	2,700
941	Ord maintenance/op - labor	-	61,051	-	-	-	-	61,051
942	Ord maintenance/op - materials	4,204	22,173	-	-	25,645	-	52,022
943	Ord maintenance/op - cont costs	4,798	21,059	-	19,391	-	-	45,248
945	Emp benefit contrib - ord main	-	17,260	-	-	-	-	17,260
961	Insurance premiums	3,376	20,251	-	2,526	-	-	26,153
963	PILOT	-	16,636	-	-	-	-	16,636
964	Bad debts - tenant rents	-	9,969	-	-	-	-	9,969
969	TOTAL OPERATING EXPENSES	33,321	451,325	5,376	550,328	25,645	-	1,065,995
970	EXCESS OPERATING REVENUE OVER EXPENSES	1,110,700	(40,712)	495	4,132,522	185,052	9,292	5,397,349

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FAIRFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, CHANGES IN NET ASSETS AND ENDING EQUITY- CONTINUED
Year Ended December 31, 2007

FDS Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Hope I	Housing Choice Vouchers	Housing Capital Fund Program	Disaster Housing Assistance Program	TOTAL
973	Housing Assistance Payments	-	-	-	3,891,313	-	-	3,891,313
974	Depreciation expense	23,246	306,116	-	11,779	19,847	-	360,988
975	Fraud bad debt	-	-	-	(11,320)	-	-	(11,320)
900	TOTAL EXPENSES	56,567	757,441	5,376	4,442,100	45,492	-	5,306,976
1001	Operating transfers in	-	20,000	-	-	-	-	20,000
1002	Operating transfers out	-	-	-	-	(20,000)	-	(20,000)
1010	TOTAL OTHER FINANCING SOURCES (USES)	-	20,000	-	-	(20,000)	-	-
1000	EXCESS OF REVENUE OVER EXPENSES	1,087,454	(326,828)	495	240,750	145,205	9,292	1,156,368
1003	Beginning equity	-	5,882,291	-	811,741	260,768	-	6,954,800
1004	Prior period adj/equity transfers	95,846	(23,453)	151,522	28,732	-	-	252,647
	ENDING EQUITY	$ 1,183,300	$ 5,532,010	$ 152,017	$ 1,081,223	$ 405,973	$ 9,292	$ 8,363,815

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATIONS
December 31, 2007

	CPF-OH16-P034-501-03
Total Expended	$ 155,696
Total Received	$ 155,696

	CPF-OH16-P034-502-03
Total Expended	$ 32,884
Total Received	$ 32,884

	CPF-OH16-P034-501-04
Total Expended	$ 191,091
Total Received	$ 191,091

1. **The grant cost certificates were approved by HUD.**
2. **The Authority records agree to the above total expenditures.**
3. **There are no outstanding liabilities.**

See independent auditors' report

FAIRFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
Year Ended December 31, 2007

		FEDERAL CFDA NUMBER	FUNDS EXPENDED
FROM U.S. DEPARTMENT OF HUD			
DIRECT PROGRAMS			
PHA Owned Housing:			
Public and Indian Housing		14.850A	$ 193,210
Public Housing Capital Fund		14.872	210,697
Housing Assistance Payments:			
Annual Contribution -			
Section 8 Housing Choice Vouchers		14.871	4,619,666
Disaster Housing Assistance Grant		97.109	9,292
	Total - All Programs		$ 5,032,865

See independent auditors' report

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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
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements for Fairfield Metropolitan Housing Authority as of and for the year ended December 31, 2007 and have issued our report thereon dated April 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard 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 our audit, we considered Fairfield Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fairfield Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting (2007-1085-001).

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 entity's internal control.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Fairfield Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 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*.

The authority's response to the findings is identified in our audit and is described in the accompanying schedule of findings. We did not audit the Authority's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
April 21, 2008

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

Board of Directors
Fairfield Metropolitan Housing Authority
Lancaster, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

<u>Compliance</u>

We have audited the compliance of Fairfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended December 31, 2007. Fairfield Metropolitan Housing Authority's major federal programs are 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 each of its major federal programs is the responsibility of Fairfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Fairfield Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Fairfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

<u>Internal Control Over Compliance</u>

The management of Fairfield Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fairfield Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Jones, Cochenour & Co.
April 21, 2008

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505

Fairfield Metropolitan Housing Authority
December 31, 2007

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)?	**Yes**
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):	**Section 8 Housing Choice Vouchers CFDA#14.871**
Dollar Threshold: Type A/B Programs	**$300,000**
Low Risk Auditee?	**Yes**

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 - Continued

Fairfield Metropolitan Housing Authority
December 31, 2007

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding Number 2007-1085-001 Significant Deficiency

Criteria: Accounting principles generally accepted in the United States of America (GAAP) require that material prior period adjustments be recorded and the beginning net assets be restated.

Condition: The Authority had recording errors for previous financial Statements prior to 2005 in addition to the results of the 2005 Inspector General audit directing transfer of assets from a non-profit to the Authority. The other recording errors for the current audit were not material to the overall Financial Statements.

Context: The deficiency was determined by reviewing correspondence from the Inspector General's office regarding the 2005 audit findings and the resolutions to satisfy the findings through the closing of the books for the year ended December 31, 2007.

Effect:

	Total	Invested in Capital Assets - Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	$ 6,954,800	$ 5,527,461	$ 1,427,339
Prior period adjustment:			
			-
Transfer of investment/cash from non-profit per 2005 OIG audit	223,915	-	223,915
Correction of RR mortgage-not amortized correctly	7,899	-	7,899
HAP paid in 2007 for 2006	973	-	973
Set up fraud receivables not previously recorded	79,420	-	79,420
Set up allowance for fraud receivables not previously recorded	(59,560)	-	(59,560)
Total prior period adjustments	252,647	-	252,647
Net Assets, Beginning of Year, Restated	$ 7,207,447	$ 5,527,461	$ 1,679,986

Cause: The cause for this misstatement was misunderstanding of the transfer of assets to the non-profit as stated in the 2005 OIG audit and prior year recording errors not clearly understood by the Authority.

Views of the responsible officials and planned corrective actions: Management, having recognized the previous problems, has acted to rectify past problems including a plan of upgrading the position responsible for financial reporting to a management position reporting directly to the Board of Commissioners of the Authority. Management has also made a strong commitment to specific HUD training and continuing education of all staff.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings for the year ended December 31, 2007.

Mary Taylor, CPA
Auditor of State

FAIRFIELD METROPOLITAN HOUSING AUTHORITY

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 16, 2008

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