

**PREBLE METROPOLITAN HOUSING AUTHORITY**

Financial Statements

For the Year Ended March 31, 2011





# Dave Yost • Auditor of State

Board of Commissioners  
Preble Metropolitan Housing Authority  
719 S. Main Street  
Dayton, Ohio 45402

We have reviewed the *Independent Auditors' Report* of the Preble Metropolitan Housing Authority, Preble County, prepared by Manning & Associates, CPAs, LLC, for the audit period April 1, 2010 through March 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 30, 2011

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# PREBLE METROPOLITAN HOUSING AUTHORITY

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# MANNING & ASSOCIATES

Certified Public Accountants, LLC

John M. Manning, CPA

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John M. Keller, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Preble Metropolitan Housing Authority  
Eaton, Ohio

We have audited the accompanying financial statements of the business-type activities of Preble Metropolitan Housing Authority, Preble County, Ohio as of and for the year ended March 31, 2011, 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, management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the 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, Preble County, Ohio as of March 31, 2011, 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*, we have also issued a report dated September 29, 2011, on our consideration of Preble Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing on internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiry 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.

We conducted our audit to opine on the financial statements that collectively comprise Preble Metropolitan Housing Authority's basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial data schedule ("FDS") is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the financial statements. We subjected the FDS to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respect in relation to the financial statements taken as a whole.

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Manning & Associates CPAs, LLC  
Dayton, Ohio

September 29, 2011



# ***Preble Metropolitan Housing Authority Management's Discussion and Analysis For the Year Ended March 31, 2011***

## **Introduction**

This Management's Discussion and Analysis (MD&A) of the Preble Metropolitan Housing Authority (Authority) provides an introduction and overview to the financial statements of the Preble Metropolitan Housing Authority for the fiscal year ended March 31, 2011. The Preble Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2011, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Preble Metropolitan Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's basic financial statements and related notes to the financial statements.

The Authority has one individual program, Housing Choice Voucher Program. This program provides rental assistance to aid low income families afford, decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Authority currently has 52 units available. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.

## **Overview of the Financial Statements**

This overview of the financial statement is intended to inform and introduce the reader to the Authority's basic financial statements. The basic financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Assets
- The Statement of Revenues, Expense, and Changes in Net Assets
- The Statement of Cash Flows

**The Statement of Net Assets** presents information on the assets and liabilities, with the differences between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Assets is comprised of three individual components:

## ***Management's Discussion and Analysis-Cont.***

- *Investment in Capital Assets, Net of Related Debt* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets
- *Restricted Net Assets* consists of assets that are restricted by limitations placed on these assets by an external source or party.
- *Unrestricted Net Assets* consists of net assets that do not meet the definition of the above categories. Unrestricted net assets is basically the amount of funds available for future year appropriations.

**The Statement of Revenues, Expenses, and Changes in Net Assets** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended March 31, 2011 to determine the change in net assets for the fiscal year.

**The Statement of Cash Flows** report cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended March 31, 2011.

### **Financial Highlights**

- The Preble Metropolitan Housing Authority's total net assets increased from \$71,568 to \$98,162, an increase of \$26,594 or 29%. The total assets increased by \$27,584 or 33%.
- The unrestricted net asset balance is \$42,706 at March 31, 2011. This represents an increase of \$918 or 2% from the previous year.
- Total revenues increased from \$238,605 earned in the previous year to \$246,071 earned in the current year, an increase of \$7,466 or 3%.
- Total expenses increased by \$6,561, from \$212,916 incurred in the previous year to \$219,477 for the current year. This represents an increase of 3%.

## *Management's Discussion and Analysis-Cont.*

### *Housing Authority Activities & Highlights*

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended March 31, 2011 and March 31, 2010.

#### *Summary Statement of Net Assets*

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 110,414	\$ 82,830	\$ 27,584	33%
Total Assets	\$ 110,414	\$ 82,830	\$ 27,584	33%
Current Liabilities	\$ 12,252	\$ 11,262	\$ 990	9%
Long Term Liabilities	\$ -	\$ -	\$ -	0%
Total Liabilities	\$ 12,252	\$ 11,262	\$ 990	9%
Unrestricted Net Assets	\$ 42,706	\$ 41,788	\$ 918	2%
Restricted Net Assets	\$ 55,456	\$ 29,780	\$ 25,676	86%
Total Net Assets	\$ 98,162	\$ 71,568	\$ 26,594	37%

#### *Current Assets*

Current assets increased by \$27,584 from the previous year. The increase was due to the notable change in restricted cash associated with the use of excess HAP. Restricted cash associated with excess HAP increased from \$29,780 to \$55,456.

#### *Cash & Investments*

Unrestricted cash and investments increased from \$46,280 to \$49,947, an increase of \$3,667 from March 31, 2010 to March 31, 2011. The primary reason for the increase was due to an excess of admin revenues over admin expenses.

Restricted cash and investments increased from \$35,040 to \$59,498, an increase of \$24,458 from March 31, 2010 to March 31, 2011. HAP revenues exceeded HAP costs by \$22,089 for the current year.

#### *Unrestricted Net Assets*

The Authority's unrestricted net assets increased by \$918 from the previous year from \$41,788 in the previous year to \$42,706 in the current year.

#### *Restricted Net Assets*

Restricted Net Assets increased by \$25,676. The increase was a result of the Authority receiving \$211,053 in HAP funding while expending \$188,964 in HAP expenses.

## *Management's Discussion and Analysis-Cont.*

### *Overview of the Financial Statements-Cont.*

*Summary Statement of Revenues & Expenses and Changes in Net Assets  
Years Ended March 31, 2011 and 2010*

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Operating Grants	\$ 235,571	\$ 226,638	\$ 8,933	4%
Interest Income	\$ 115	\$ 655	\$ (540)	-82%
Other Income	\$ 10,385	\$ 11,312	\$ (927)	-8%
Total Revenue	\$ 246,071	\$ 238,605	\$ 7,466	3%
			\$ -	
Administration	\$ 24,340	\$ 19,220	\$ 5,120	27%
General Expense	\$ 94	\$ 2,307	\$ (2,213)	-96%
Housing Assistance Payments	\$ 195,043	\$ 191,183	\$ 3,860	2%
Depreciation	\$ -	\$ 206	\$ (206)	-100%
Total Expenses	\$ 219,477	\$ 212,916	\$ 6,561	3%
Excess of Revenue over Expenses	\$ 26,594	\$ 25,689	\$ 905	4%
Net Assets, Beginning of Year	\$ 71,568	\$ 45,879	\$ 25,689	56%
Net Assets, End of Year	\$ 98,162	\$ 71,568	\$ 26,594	37%

#### *Results of Operations*

Revenues of the Authority are generated principally from HUD grants. The Authority's revenue increased by \$7,466 for the current fiscal year. Notable changes as compared from the previous year include:

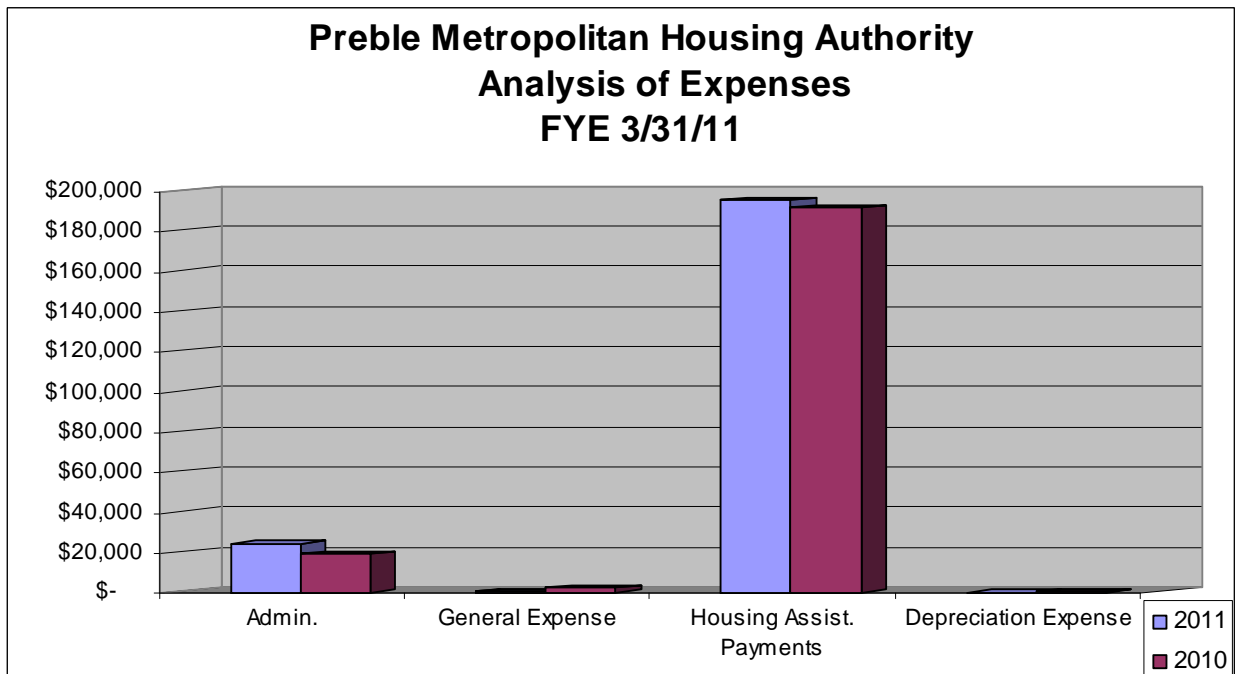
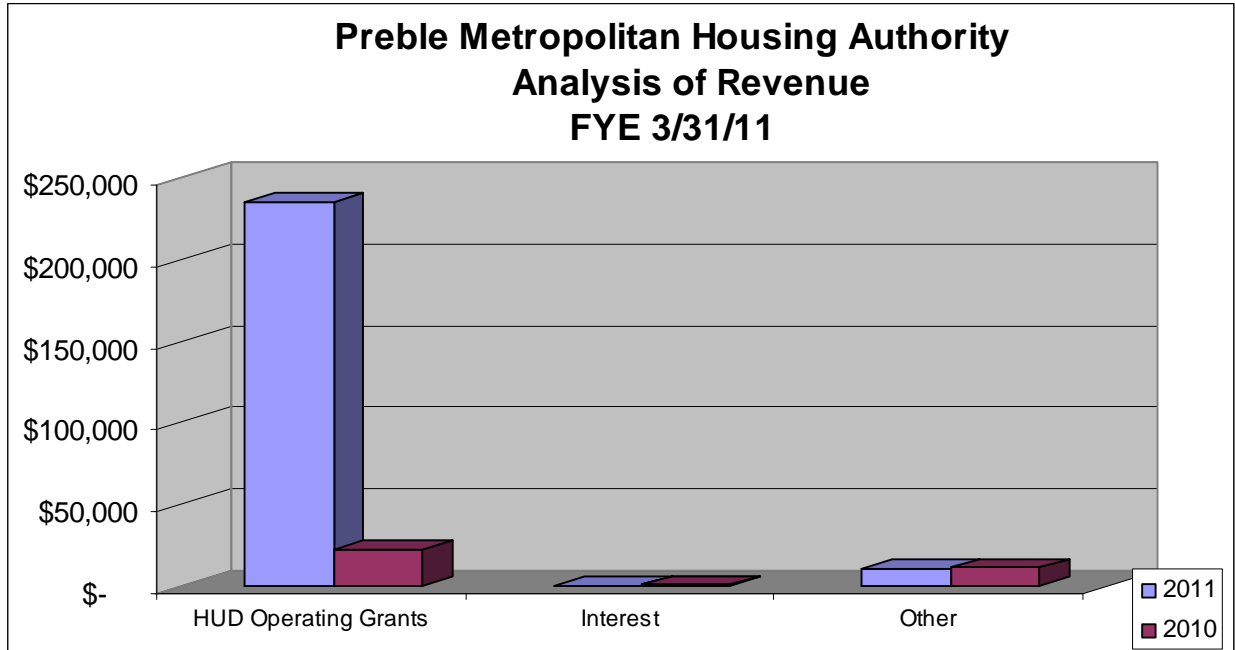
- Operating grants increased by \$8,933. The total grant revenue earned during the current year can be separated into HAP funding category totaling \$211,053 and administrative funding totaling \$24,518 as compared to the previous year when the Authority received \$205,011 for HAP funding and \$21,627 for administrative funding.
- Interest Income decreased by \$540 due to a decrease in interest rates.

Expenses increased during the current fiscal year by \$6,561. Notable changes as compared to the previous year include:

- Administration increased by \$5,120 due to an increase in management fees.
- General expenses decreased from \$2,307 to \$94 due to the charging of bad debts related to accounts receivable for fraud claims.
- Depreciation expense decreased due to the full depreciation of equipment in the previous year

## Management's Discussion and Analysis-Cont.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:



## ***Management's Discussion and Analysis-Cont.***

### *Capital Assets*

As of March 31, 2011, the Preble Metropolitan Housing Authority's Total Net Fixed Assets decreased by \$206 from the previous year. This investment includes land, building, construction in progress, and equipment.

<u>Category</u>	<u>FYE 2011</u>	<u>FYE 2010</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ -	\$ -	\$ -	0%
Buildings	\$ -	\$ -	\$ -	0%
Equipment	\$ 968	\$ 968	\$ -	0%
Accumulated Depreciation	\$ (968)	\$ (968)	\$ -	0%
Total Net Fixed Assets	\$ -	\$ -	\$ -	0%

### **Subsequent Event**

Nothing at this time.

### **Request for Information**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Preble Metropolitan Housing Authority  
Stephen V. Pipenger, Chief Financial Officer  
719 S. Main Street  
Dayton, OH 45402

**PREBLE METROPOLITAN HOUSING AUTHORITY**

Statement of Net Assets

Proprietary Funds

March 31, 2011

**ASSETS**

**Current assets**

Cash and cash equivalents	\$	109,445
Accounts Receivable		508
Fraud Recovery - Net of \$4,142 Allowance		461
<b>Total current assets</b>		<u>110,414</u>

**Noncurrent assets**

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

<b>Total assets</b>	\$	<u>110,414</u>
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**LIABILITIES**

**Current liabilities**

Accounts Payable	\$	8,209
Other current liabilities		4,043
<b>Total current liabilities</b>		<u>12,252</u>

<b>Total liabilities</b>	\$	<u>12,252</u>
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**NET ASSETS**

Restricted net assets	\$	55,456
Unrestricted net assets		<u>42,706</u>
<b>Total net assets</b>	\$	<u>98,162</u>

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, 2011

<b><i>OPERATING REVENUES</i></b>	
Government operating grants	\$ 235,571
Other Revenue	10,385
<b>Total operating revenues</b>	<u>245,956</u>
 <b><i>OPERATING EXPENSES</i></b>	
Administrative	\$ 24,434
Housing assistance payment	195,043
Depreciation	-
<b>Total operating expenses</b>	<u>\$ 219,477</u>
<b>Operating income</b>	<u>\$ 26,479</u>
 <b><i>NONOPERATING REVENUES (EXPENSES)</i></b>	
Interest and investment revenue	\$ 115
<b>Total nonoperating revenues (expenses)</b>	<u>115</u>
Income before contributions and transfers	\$ 26,594
Total net assets - beginning	<u>\$ 71,568</u>
<b>Total net assets - ending</b>	<u><u>\$ 98,162</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, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from grantor	\$ 236,119
Other income received	10,378
Cash paid Operating Activities	(23,444)
Cash Paid for Housing Assistance	<u>(195,043)</u>

**Net cash provided operating activities** \$ 28,010

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned	\$ <u>115</u>
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**Net cash provided (used) by investing activities** \$ 115

**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

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

Net Increase (Decrease) in Cash	\$ 28,125
Cash and cash equivalents- Beginning of Year	<u>81,320</u>

**Cash and cash equivalents- end of year** \$ 109,445

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income	\$ 26,479
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Adjustments to Reconcile Net Income to net Cash Provided  
by Operating Activities:

(Increase) Decrease in accounts receivable	548
(Increase) Decrease in fraud recovery	(7)
Increase (Decrease) in accounts payable	2,728
Increase (Decrease) in FSS Escrow payable	<u>(1,738)</u>

**Net cash provided by operating activities** \$ 28,010

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, 2011**

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

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

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

**PREBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

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

**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.

**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, 2011 totaled \$115.

**PREBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

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

**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.

**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 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.

**PREBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

**NOTE 2: DEPOSITS AND INVESTMENTS**

Deposits

State statues 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 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 current period of designation of depositories. Interim deposits must be evidenced by the 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, 2011, the carrying amount of the Authority's deposits totaled \$109,444 and its bank balance was \$110,464. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2011, the entire cash balance of \$109,444 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 the fiscal year ending March 31, 2011 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.

**PREBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

**NOTE 4: CAPITAL ASSETS**

The following is a summary:

	<b>Balance 03/31/10</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 03/31/11</b>
<b>Capital Assets Being Depreciated:</b>				
Furnt, Mach. & Equip.- Admin.	968	0	0	968
Total Capital Assets Being Depreciated	968	0	0	968
<b>Accumulated Depreciation:</b>				
Furnt, Mach. & Equip. -Admin.	(968)	0	0	(968)
Total Accumulated Depreciation	(968)	0	0	(968)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Assets, Net</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

The Authority Contracts 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 Partnership. The Authority's current exposer to payroll of subcontract employees is \$11,088 annual.

**NOTE 6: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 29, 2011, the date on which the financial statements were available for issue.

**PREBLE METROPOLITAN HOUSING AUTHORITY**

Combining FDS Schedule Submitted To REAC

Property Fund Type - Enterprise Fund

March 31, 2011

Line Item No.	Account Description	Housing Choice Vouchers
111	Cash - Unrestricted	\$ 49,947
113	Cash - Other Restricted	59,498
100	Total Cash	<u>\$ 109,445</u>
128	Fraud Recovery	\$ 4,603
128.1	Allowance for Doubtful Accounts - Fraud	(4,142)
	Accounts Receivable	508
120	Total Receivables, net of allowances for doubtful accounts	<u>\$ 969</u>
150	Total Current Assets	<u>\$ 110,414</u>
164	Furniture, Equipment & Machinery- Administration	\$ 968
166	Accumulated Depreciation	(968)
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>\$ -</u>
180	Total Non-Current Assets	<u>\$ -</u>
190	Total Assets	<u><u>\$ 110,414</u></u>
312	Accounts Payable <=90 Days	\$ 8,209
345	Other Current Liabilities - FSS Escrow Payable	4,043
310	Total Current Liabilities	<u>\$ 12,252</u>
300	Total Liabilities	<u>\$ 12,252</u>
508.1	Invested in Capital Assets, Net of Related Debt	\$ -
511.1	Restricted Net Assets	55,456
512.1	Unrestricted Net Assets	42,706
513	Total Equity/Net Assets	<u>\$ 98,162</u>
600	Total Liabilities and Equity/Net Assets	<u><u>\$ 110,414</u></u>

**PREBLE METROPOLITAN HOUSING AUTHORITY**  
Combining FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
March 31, 2011

Line Item No.	Account Description	Housing Choice Vouchers
705	Total Tenant Revenue	\$ -
706	HUD PHA Operating Grants	235,571
711	Investments Income- Unrestricted	115
715	Other Revenue	10,385
700	Total Revenue	<u>\$ 246,071</u>
912	Auditing Fees	\$ 1,154
913	Outside Management Fees	23,280
969	Total Operating Expenses	<u>\$ 24,434</u>
970	Excess Operating Revenue over Operating Expenses	<u>\$ 221,637</u>
973	Housing Assistance Payments	\$ 195,043
974	Depreciation Expense	-
900	Total Expenses	<u>\$ 195,043</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ 26,594
1103	Beginning Equity	\$ 71,568
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-
	Ending Equity	<u><u>\$ 98,162</u></u>
1120	Unit Months Available	624
1121	Number of Unit Months Leased	492
1117	Administrative Fee Equity	42,706
1118	Housing Assistance Payments Equity	55,456





### **REPORT IN 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 Commissioners  
Preble Metropolitan Housing Authority

We have audited the financial statements of the business-type activities of Preble Metropolitan Housing Authority, Preble County, (the authority) as of and for the year ended March 31, 2011, which collectively comprise the Preble Metropolitan Housing Authority's, basic financial statements and have issued our report thereon dated September 29, 2011. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Preble 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 opining on the effectiveness of the authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the authority's financial statements will not be prevented, or detected and timely corrected.

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

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards.

Board of Directors  
Independent Auditors' 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*  
Page 2

We intend this report solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and others within the Authority. We intend it for no one other than these specified parties.

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Manning & Associates CPAs, LLC  
Dayton, Ohio

September 29, 2011

**PREBLE METROPOLITAN HOUSING AUTHORITY**

Schedule of Prior Audit Findings

March 31, 2011

The following are the status of March 31, 2010 audit findings. Those findings not fully corrected are repeated in the 2011 audit report.

Finding Number	Finding Summary	Fully Corrected?
	No prior audit findings	

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# Dave Yost • 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 13, 2011**