

Warren Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2007





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Warren Metropolitan Housing Authority  
990 East Ridge Drive  
Lebanon, Ohio 45036

We have reviewed the *Independent Auditors' Report* of the Warren Metropolitan Housing Authority, Warren County, prepared by Salvatore Consiglio, CPA, Inc., 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 Warren Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 29, 2008

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WARREN METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2007

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## Independent Auditors' Report

Board of Directors  
Warren Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Warren Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Warren Metropolitan Housing Authority, Ohio, as of December 31, 2007, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 4, 2008, on my consideration of Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Warren Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining financial data schedule ("FDS") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

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Salvatore Consiglio, CPA, Inc.

April 4, 2008

**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2007**

**Unaudited**

As management of the Warren Metropolitan Housing Authority, we offer readers of the authority's financial statements this narrative overview and analysis of the financial activity of the authority for the year-ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the authority's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- The assets of the authority exceeded its liabilities as of December 31, 2007 by \$13,590,472 (net assets).
- The authority's cash balance as of December 31, 2007 was \$1,676,159 representing an increase of \$495,939 from the prior year.
- The authority had intergovernmental revenues of \$3,700,960 in HUD operating grants and \$114,540 of HUD capital grants for the year-ended December 31, 2007.
- The authority ending total revenue balance was \$4,349,659 as of December 31, 2007, representing an increase of \$440,425. Total expenses were \$4,541,542, representing an increase of \$141,805.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included within this report:

- Statement of Net Assets - reports the authority's current financial resources (short term expendable resources) with capital assets and long-term debt obligations.
- Statement of Revenue, Expenses, and Change in Fund Net Assets - reports the authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital Contributions.
- Statement of Cash Flows - reports net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.



**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2007**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)**

**Total Cash** of the Authority rose by \$495,939 due to the receipt of excess Housing Assistance Payment subsidies. These funds are being held by the Authority for future disbursement to approved landlords. The Authority also made successful efforts to reduce its overall accounts receivable during the year.

**Current Assets** (not including cash) of the Authority showed a decrease of \$133,008 from 2006 to 2007. This decrease is due to the successful collection of receivable accounts from HUD.

The changes in the various equity amounts for the agency are all the result of the additional Section 8 funding and collection of receivable accounts in FY 2007.

The following table summarizes the change in Net Assets between December 31, 2007 and 2006 for the authority as a whole:

	<u>2007</u>	<u>2006</u>	<u>NET CHANGE</u>
Cash	\$ 1,676,159	\$ 1,180,220	\$ 495,939
Current Assets	206,182	339,190	(133,008)
Capital Assets - Net	11,994,987	12,520,613	(525,626)
Total Assets	<u>\$ 13,877,328</u>	<u>\$ 14,040,023</u>	<u>\$ (162,695)</u>
Current Liabilities	\$ 177,873	\$ 226,794	\$ (48,921)
Non current Liabilities	108,983	30,874	78,109
Total Liabilities	<u>\$ 286,856</u>	<u>\$ 257,668</u>	<u>\$ 29,188</u>
Net Assets in Capital Assets	\$ 11,994,987	\$ 12,520,613	\$ (525,626)
Restricted Net Assets	327,460	-	327,460
Unrestricted Net Assets	1,268,025	1,261,742	6,283
Total Net Assets	<u>\$ 13,590,472</u>	<u>\$ 13,782,355</u>	<u>\$ (191,883)</u>

The table below shows % of total revenue by funding sources.

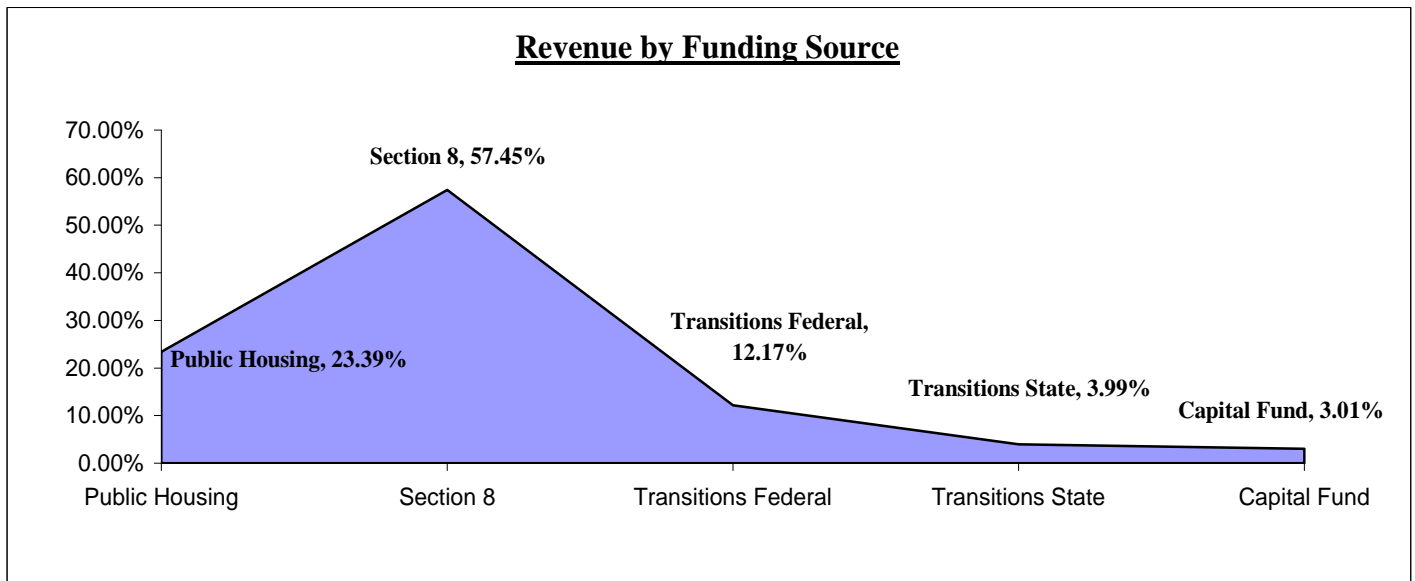
**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2007**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**

The following table summarizes the changes in operating revenue income between FYE 2007 and 2006 for the authority as a whole:

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Tenant Rental Revenue	\$ 453,907	\$ 434,035	\$ 19,872
Total Operating Grants	3,700,960	3,357,757	343,203
HUD Capital Grants	114,540	39,383	75,157
Interest on Investments	8,845	8,716	129
Other Revenue	71,407	69,343	2,064
Total Revenue	<u>4,349,659</u>	<u>3,909,234</u>	<u>440,425</u>
Operating Expenses:			
Administrative	804,058	703,044	101,014
Tenant Services	80,668	113,000	(32,332)
Utilities	97,781	78,908	18,873
Maintenance	336,035	315,143	20,892
General Expenses	177,526	199,479	(21,953)
Housing Assistance Payments	2,403,492	2,433,807	(30,315)
Depreciation	641,982	556,356	85,626
Total Expenses	<u>4,541,542</u>	<u>4,399,737</u>	<u>141,805</u>
Net Income/(Loss)	<u>\$ (191,883)</u>	<u>\$ (490,503)</u>	<u>\$ 298,620</u>



**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2007**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**

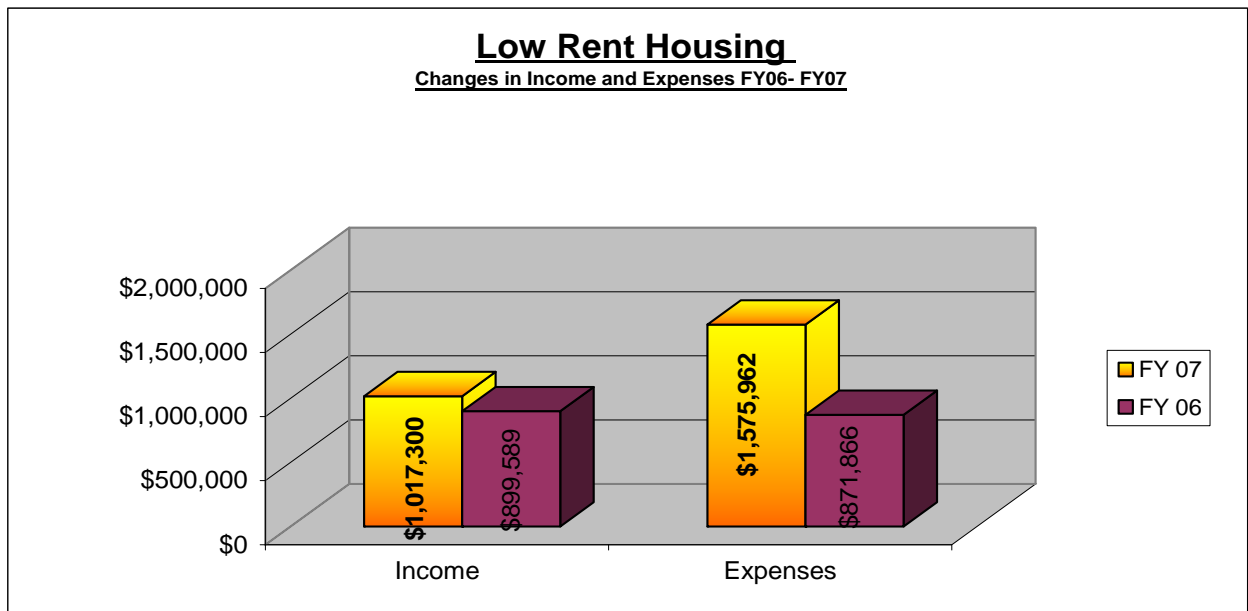
**Total revenue** increased by \$440,425 as compared to fiscal year ending 2006 revenue. This increase was due to additional operating grant received in the HCV Program.

Comparatively, FYE 2007 **total expense** increased from FYE 2006 by \$141,805. This increase was due administrative and utility expenses.

Administrative expenses were higher in 2007 due to increased activities in the transitional housing program. These activities were funded through the rents generated. This is considered a matching fund.

Tenant service expenses decreased by \$32,332 from 2006 to 2007 due to a decrease in transitions grant funded supportive service activities. Transitional Housing efforts actually rose in 2007 and these activities are a portion of the administrative expense lines.

HUD capital and other governmental grant increased dramatically in 2007. This is owing to the aggressive stance taken by the authority to implement capital grant dollars as expeditiously as possible. The WMHA endeavors to spend these dollars quickly and effectively to improve the conditions under which our clients live. WMHA also received a larger than normal state transitional housing allocation. This money was put into use in 2007.



Note: The above table does not include depreciation

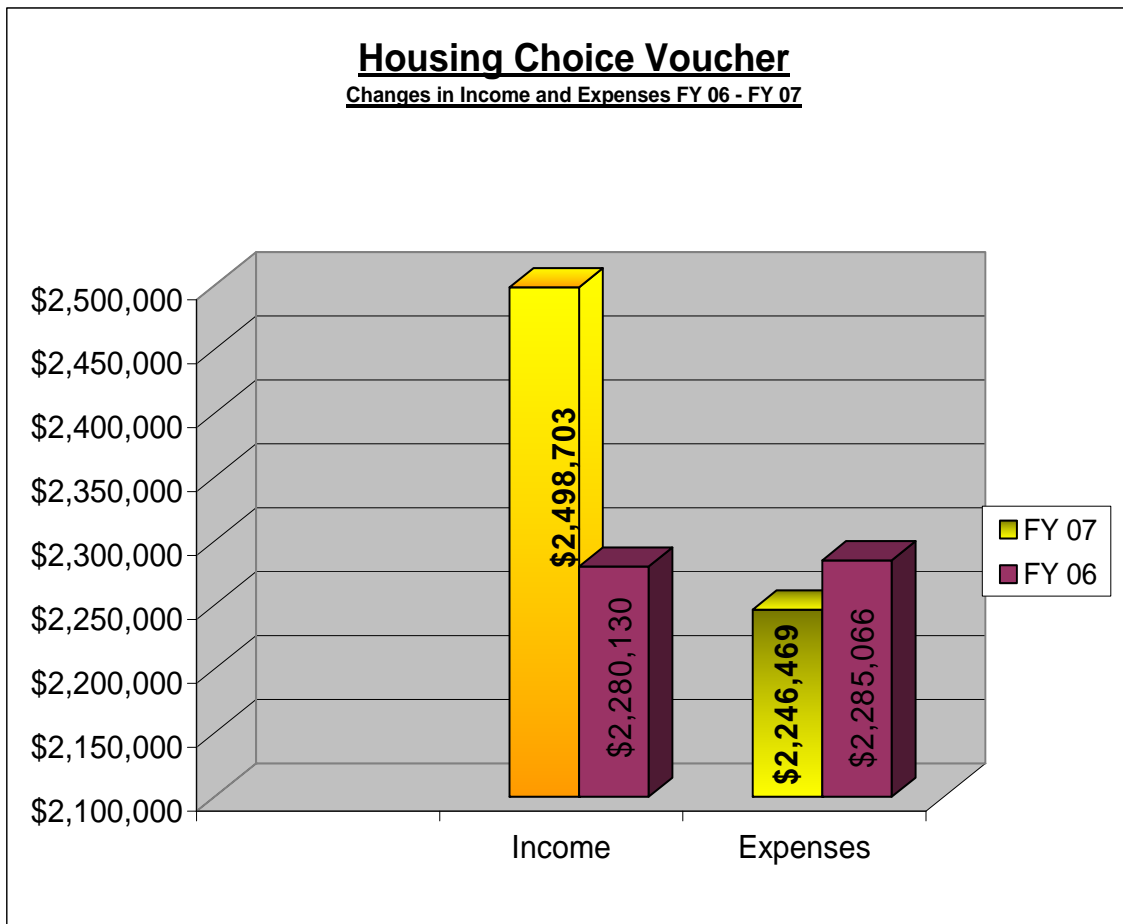
**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2007**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**

The above table shows how the income and expenses have changed between the FYE 2007 and 2006 for the Low Rent Public Housing Program. FYE 2007 total operating expenses increased from FYE 2006 operating expenses by 8%. FYE 2007 total income increased from FYE 2006 income by 7%.

The following chart illustrates the Housing Choice Voucher Program changes in income and expenses for the years 2006-2007. Income increased 13% in FYE 2007 for the HCV program. Expenses decreased close less than 1% in FYE 2007.

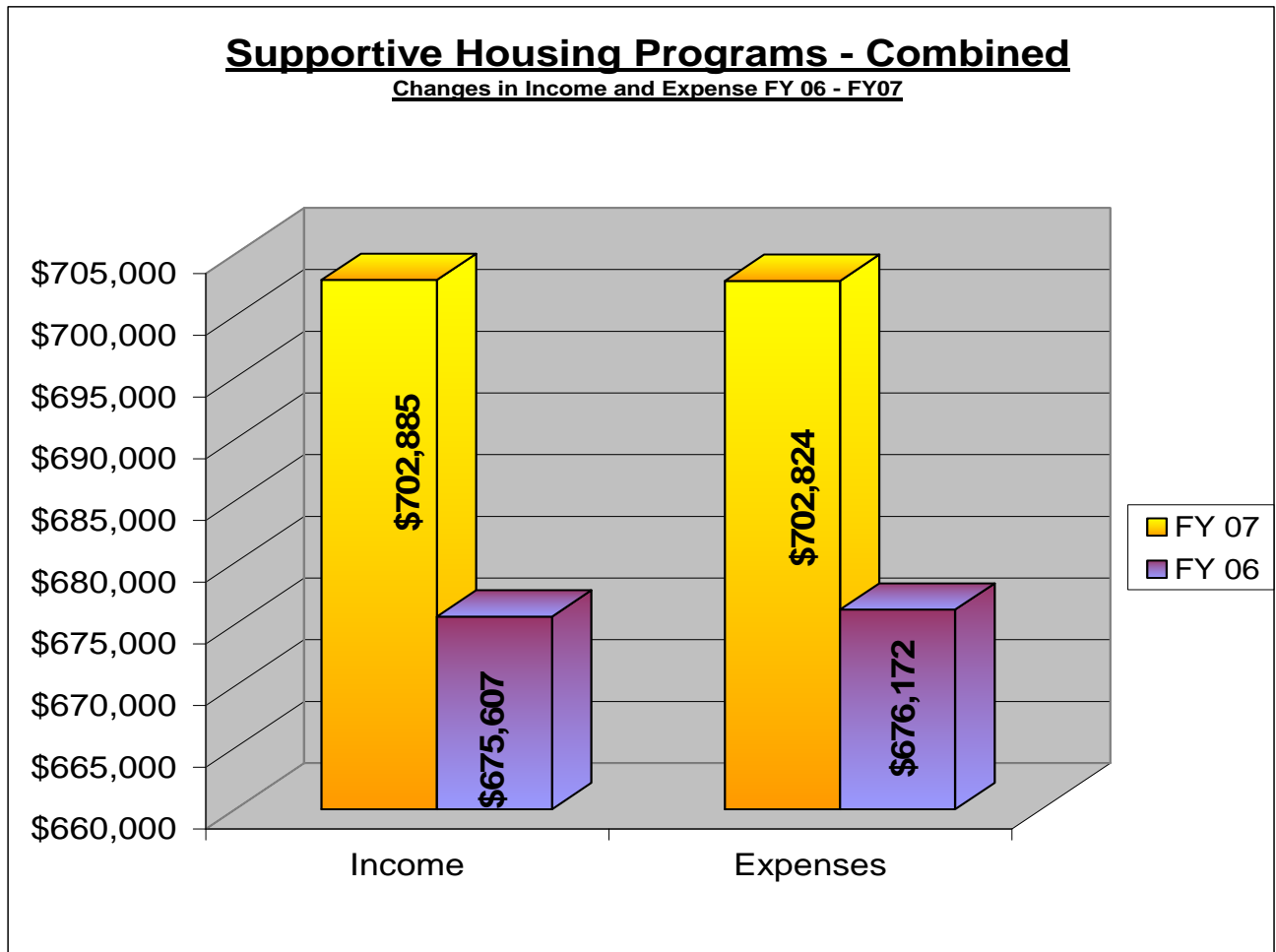


Note: The above table does not include depreciation

**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2007**

Unaudited

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**



Note: The above table does not include depreciation

The following chart illustrates the Supportive Housing Program changes in income and expenses for the FYE 2007 and 2006. Income and expenses were stable and reflected a slide increase in revenue and expenses.

The above changes were reflective to current year client served.

**CAPITAL ASSET**

The following table summarizes the changes in capital assets between December 31, 2007 and 2006:

**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2007**

**Unaudited**

**CAPITAL ASSET (continued)**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Land	\$ 1,638,444	\$ 1,638,444	\$ 0
Building	17,095,818	16,848,522	247,296
Equipment	445,664	414,662	31,002
Construction in Progress	150,541	329,293	(178,752)
Total	<u>19,330,467</u>	<u>19,230,921</u>	<u>99,546</u>
Accumulated Depreciation	7,335,480	6,710,308	625,172
Net Capital Assets	<u>\$ 11,994,987</u>	<u>\$ 12,520,613</u>	<u>\$ (525,626)</u>

The decrease in construction in progress is due to capital fund grant closed and transfers to public housing building. The current year purchases were: computers, copier and a printer.

**DEBIT**

As of year-end, the Authority had no debt outstanding.

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**CONTACTING THE AUTHORITY**

This financial report is designed to provide a general overview of the authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Executive Director, Warren Metropolitan Housing Authority, 990 East Ridge Drive, Lebanon, Ohio 45036-1678.

**WARREN METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2007**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$1,212,096
Restricted cash and cash equivalents	464,063
Receivables, net	183,901
Prepaid expenses and other assets	22,281
<b>Total current assets</b>	<b><u>1,882,341</u></b>

**Noncurrent assets**

**Capital assets:**

Land	1,638,444
Building and equipment	17,541,482
Construction in Progress	150,541
Less accumulated depreciation	(7,335,480)
<b>Total noncurrent assets</b>	<b><u>11,994,987</u></b>
<b>Total assets</b>	<b><u><u>\$13,877,328</u></u></b>

**Liabilities**

**Current liabilities**

Accounts payable	\$16,658
Accrued liabilities	15,158
Intergovernmental payables	82,455
Tenant security deposits	52,767
Deferred revenue	3,198
Other current liabilities	7,637
<b>Total current liabilities</b>	<b><u>177,873</u></b>

**Noncurrent liabilities**

Accrued compensated absences non-current	25,229
Other noncurrent liabilities	83,754
<b>Total noncurrent liabilities</b>	<b><u>108,983</u></b>
<b>Total liabilities</b>	<b><u><u>\$286,856</u></u></b>

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

**WARREN METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets (Continued)**  
**Proprietary Funds**  
**December 31, 2007**

*NET ASSETS*

Invested in capital assets, net of related debt	\$11,994,987
Restricted net assets	327,460
Unrestricted net assets	1,268,025
<b>Total net assets</b>	<b><u><u>\$13,590,472</u></u></b>

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



**WARREN METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

***OPERATING REVENUES***

Tenant Revenue	\$453,907
Government operating grants	3,700,960
Other revenue	82,626
<b>Total operating revenues</b>	<b><u>4,237,493</u></b>

***OPERATING EXPENSES***

Administrative	804,058
Tenant services	80,668
Utilities	97,781
Maintenance	336,035
General	177,526
Housing assistance payment	2,403,492
Depreciation	641,982
<b>Total operating expenses</b>	<b><u>4,541,542</u></b>
<b>Operating income (loss)</b>	<b><u>(304,049)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	8,845
Miscellaneous revenue	(11,219)
<b>Total nonoperating revenues (expenses)</b>	<b><u>(2,374)</u></b>
Income (loss) before contributions and transfers	(306,423)
Capital grants	114,540
Change in net assets	(191,883)
Total net assets - beginning	13,782,355
<b>Total net assets - ending</b>	<b><u>\$13,590,472</u></b>

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

**Warren Metropolitan Housing Authority**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating grants received	\$423,767
Tenant revenue received	3,841,145
Other revenue received	57,470
General and administrative expenses paid	(1,449,368)
Housing assistance payments	<u>(2,372,885)</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>500,129</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	<u>8,845</u>
<b>Net cash provided (used) by investing activities</b>	<b><u>8,845</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>	
Capital grant funds received	114,540
Property and equipment purchased	<u>(127,575)</u>
<b>Net cash provided (used) by capital and related activities</b>	<b><u>(13,035)</u></b>
<b>Net increase (decrease) in cash</b>	<b>495,939</b>
Cash and cash equivalents - Beginning of year	<u>1,180,220</u>
<b>Cash and cash equivalents - End of year</b>	<b><u><u>\$1,676,159</u></u></b>

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

**Warren Metropolitan Housing Authority**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

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

Net Operating Income (Loss)	(\$304,049)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	641,982
- (Increases) Decreases in Accounts Receivable	123,924
- (Increases) Decreases in Prepaid Assets	9,084
- Increases (Decreases) in Accounts Payable	(4,740)
- Increases (Decreases) in Accrued Payable	(18,464)
- Increases (Decreases) in Intergovernmental Payable	52,979
- Increases (Decreases) in Tenant Security Deposit Payable	1,097
- Increases (Decreases) in Deferred Revenue	381
- Increases (Decreases) in Other Current Liabilities	4,206
- Increases (Decreases) in Accrued Compensated Absences	(6,271)
	(6,271)
<b>Net cash provided by operating activities</b>	<b>\$500,129</b>

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

WARREN METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

**Summary of Significant Accounting Policies**

The financial statements of the Warren Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**Reporting Entity**

The Warren Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the 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.

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

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

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

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

**Basis of Presentation**

The Authority's 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.

**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.

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

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

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued After November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Description of programs**

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

A. **Public Housing Program**

The public housing program is designed to provide low-cost housing within the Warren County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. **Capital Fund Program**

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

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.

D. **Supportive Housing Program**

The Supportive Housing Program is a HUD and State funded program to provide tenant-based rental assistance to low income persons with disabilities for payment of housing on the private market.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2007 totaled \$8,845.

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

**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 \$1,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	40 year
Buildings Improvements	15 years
Furniture, equipment and machinery	3-7 years

**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.

**Capital Contributions**

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

**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

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

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

**Compensated Absences** (Continued)

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 absence 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 fund 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 generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: DEPOSITS AND INVESTMENTS**

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



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

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

- 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 end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

At fiscal year end December 31, 2007, the carrying amount of the Authority's deposits totaled \$1,676,159 and its bank balance was \$1,754,010. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2007, \$1,567,337 was exposed to custodial risk as discussed below, while \$186,673 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

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

**NOTE 3: RESTRICTED CASH**

The restricted cash balance of \$464,063 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$327,460
FSS Escrow cash balance	83,754
Tenant Security deposits in the Low Rent Public Housing Program	<u>52,849</u>
Total Restricted Cash	<u>\$464,063</u>

**NOTE 4: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

**NOTE 5: CAPITAL ASSETS**

The following is a summary of changes:

	Balance 12/31/06	Adjust.	Additions	Deletion	Balance 12/31/07
<b>Capital Assets Not Depreciated:</b>					
Land	\$1,638,444	\$0	\$0	\$0	\$1,638,444
Construction in Progress	329,293	(178,752)	0	0	150,541
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>1,967,737</u></b>	<b><u>(178,752)</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1,788,985</u></b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	16,848,522	136,138	111,158	0	17,095,818
Furnt, Mach. & Equip. - Dwelling	18,521	0	0	0	18,521
Furnt, Mach. & Equip. - Admin	396,141	42,614	16,417	(28,029)	427,143
<b>Total Capital Assets Being Depreciated</b>	<b><u>17,263,184</u></b>	<b><u>178,752</u></b>	<b><u>127,575</u></b>	<b><u>(28,029)</u></b>	<b><u>17,541,482</u></b>

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

**NOTE 5: CAPITAL ASSETS** (Continued)

	<b>Balance 12/31/06</b>	<b>Adjust.</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 12/31/07</b>
<b>Accumulated Depreciation:</b>					
Buildings	(6,496,221)	0	(602,847)	0	(7,099,068)
Furnt, Mach. & Equip. - Dwelling	(5,042)	0	(3,448)	0	(8,490)
Furnt, Mach. & Equip. – Admin	(209,045)	0	(35,687)	16,810	(227,922)
Total Accumulated Depreciation	(6,710,308)	0	(641,982)	16,810	(7,335,480)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>10,552,876</b>	<b>178,752</b>	<b>(514,407)</b>	<b>(11,219)</b>	<b>10,206,002</b>
 <b>Total Capital Assets, Net</b>	 <b>\$12,520,613</b>	 <b>\$0</b>	 <b>(\$514,407)</b>	 <b>(\$11,219)</b>	 <b>\$11,994,987</b>

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

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

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.

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

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES  
RETIREMENT SYSTEM** (Continued)

2. The Member-Direct Plan – 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-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension 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.

Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The 2007 employer pension contribution rate for Authority was 13.85 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2007, 2006, and 2005 amounted to \$91,842, \$88,685, and \$81,798 respectively. Ninety-four percent has been contributed for 2007. All required contributions for the two previous years have been paid.

**NOTE 7: POST EMPLOYMENT BENEFITS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer rate was 13.85 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and

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

**NOTE 7: POST EMPLOYMENT BENEFITS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM** (Continued)

local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Authority contributions for 2007 which were used to fund post-employment benefits were \$33,156. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2006 (the

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

**NOTE 7: POST EMPLOYMENT BENEFITS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM** (Continued)

latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**NOTE 8: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2007 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.

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

Warren Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2007

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$315,543	\$633,808	\$206,624	\$0	\$56,121	\$1,212,096
113	Cash - Other Restricted	\$0	\$36,646	\$374,568	\$0	\$0	\$411,214
114	Cash - Tenant Security Deposits	\$0	\$52,849	\$0	\$0	\$0	\$52,849
100	Total Cash	\$315,543	\$723,303	\$581,192	\$0	\$56,121	\$1,676,159
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$73,792	\$0	\$73,792
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$74,604	\$74,604
126	Accounts Receivable - Tenants - Dwelling Rents	\$18,154	\$44,061	\$0	\$0	\$3,229	\$65,444
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$29,939)	\$0	\$0	\$0	(\$29,939)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$36,190	\$0	\$0	\$36,190
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	(\$36,190)	\$0	\$0	(\$36,190)
120	Total Receivables, net of allowances for doubtful accounts	\$18,154	\$14,122	\$0	\$73,792	\$77,833	\$183,901
142	Prepaid Expenses and Other Assets	\$738	\$16,033	\$5,510	\$0	\$0	\$22,281
144	Interprogram Due From	\$47,807	\$73,792	\$0	\$0	\$0	\$121,599
150	Total Current Assets	\$382,242	\$827,250	\$586,702	\$73,792	\$133,954	\$2,003,940
161	Land	\$0	\$1,638,444	\$0	\$0	\$0	\$1,638,444
162	Buildings	\$0	\$17,095,818	\$0	\$0	\$0	\$17,095,818
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$18,521	\$0	\$0	\$0	\$18,521
164	Furniture, Equipment & Machinery - Administration	\$66,619	\$231,858	\$119,230	\$3,382	\$6,054	\$427,143
166	Accumulated Depreciation	(\$43,075)	(\$7,238,192)	(\$48,103)	(\$56)	(\$6,054)	(\$7,335,480)
167	Construction In Progress	\$0	\$0	\$0	\$150,541	\$0	\$150,541
160	Total Fixed Assets, Net of Accumulated Depreciation	\$23,544	\$11,746,449	\$71,127	\$153,867	\$0	\$11,994,987

Warren Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2007

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
180	Total Non-Current Assets	\$23,544	\$11,746,449	\$71,127	\$153,867	\$0	\$11,994,987
190	Total Assets	\$405,786	\$12,573,699	\$657,829	\$227,659	\$133,954	\$13,998,927
312	Accounts Payable <= 90 Days	\$1,591	\$13,138	\$1,929	\$0	\$0	\$16,658
321	Accrued Wage/Payroll Taxes Payable	\$1,756	\$9,067	\$1,533	\$0	\$0	\$12,356
322	Accrued Compensated Absences - Current Portion	\$710	\$1,624	\$291	\$0	\$177	\$2,802
331	Accounts Payable - HUD PHA Programs	\$55,038	\$0	\$0	\$0	\$0	\$55,038
333	Accounts Payable - Other Government	\$0	\$27,417	\$0	\$0	\$0	\$27,417
341	Tenant Security Deposits	\$0	\$52,767	\$0	\$0	\$0	\$52,767
342	Deferred Revenues	\$394	\$2,734	\$0	\$0	\$70	\$3,198
345	Other Current Liabilities	\$0	\$7,637	\$0	\$0	\$0	\$7,637
347	Interprogram Due To	\$0	\$0	\$0	\$73,792	\$47,807	\$121,599
310	Total Current Liabilities	\$59,489	\$114,384	\$3,753	\$73,792	\$48,054	\$299,472
354	Accrued Compensated Absences - Non Current	\$6,385	\$14,627	\$2,620	\$0	\$1,597	\$25,229
353	Noncurrent Liabilities - Other	\$0	\$36,646	\$47,108	\$0	\$0	\$83,754
350	Total Noncurrent Liabilities	\$6,385	\$51,273	\$49,728	\$0	\$1,597	\$108,983
300	Total Liabilities	\$65,874	\$165,657	\$53,481	\$73,792	\$49,651	\$408,455
508.1	Invested in Capital Assets, Net of Related Debt	\$23,544	\$11,746,449	\$71,127	\$153,867	\$0	\$11,994,987
511.1	Restricted Net Assets	\$0	\$0	\$327,460	\$0	\$0	\$327,460
512.1	Unrestricted Net Assets	\$316,368	\$661,593	\$205,761	\$0	\$84,303	\$1,268,025
513	Total Equity/Net Assets	\$339,912	\$12,408,042	\$604,348	\$153,867	\$84,303	\$13,590,472



Warren Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2007

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
600	Total Liabilities and Equity/Net Assets	\$405,786	\$12,573,699	\$657,829	\$227,659	\$133,954	\$13,998,927
703	Net Tenant Rental Revenue	\$62,884	\$379,768	\$0	\$0	\$11,255	\$453,907
705	Total Tenant Revenue	\$62,884	\$379,768	\$0	\$0	\$11,255	\$453,907
706	HUD PHA Operating Grants	\$466,593	\$600,098	\$2,455,885	\$16,231	\$0	\$3,538,807
706.1	Capital Grants	\$0	\$0	\$0	\$114,540	\$0	\$114,540
708	Other Government Grants	\$0	\$0	\$0	\$0	\$162,153	\$162,153
711	Investment Income - Unrestricted	\$0	\$6,296	\$2,549	\$0	\$0	\$8,845
714	Fraud Recovery	\$0	\$0	\$30,254	\$0	\$0	\$30,254
715	Other Revenue	\$0	\$42,357	\$10,015	\$0	\$0	\$52,372
716	Gain/Loss on Sale of Fixed Assets	\$0	(\$11,219)	\$0	\$0	\$0	(\$11,219)
700	Total Revenue	\$529,477	\$1,017,300	\$2,498,703	\$130,771	\$173,408	\$4,349,659
911	Administrative Salaries	\$84,885	\$188,165	\$142,331	\$16,231	\$23,512	\$455,124
912	Auditing Fees	\$542	\$3,309	\$819	\$0	\$96	\$4,766
914	Compensated Absences	(\$2,681)	(\$1,685)	(\$1,773)	\$0	(\$131)	(\$6,270)
915	Employee Benefit Contributions - Administrative	\$27,532	\$71,870	\$54,362	\$0	\$8,108	\$161,872
916	Other Operating - Administrative	\$23,559	\$97,532	\$58,941	\$0	\$8,534	\$188,566
921	Tenant Services - Salaries	\$28,036	\$0	\$0	\$0	\$17,736	\$45,772
923	Employee Benefit Contributions - Tenant Services	\$10,708	\$0	\$0	\$0	\$6,774	\$17,482
924	Tenant Services - Other	\$17,127	\$0	\$0	\$0	\$287	\$17,414
931	Water	\$0	\$37,439	\$0	\$0	\$0	\$37,439
932	Electricity	\$0	\$47,758	\$0	\$0	\$0	\$47,758
933	Gas	\$0	\$12,584	\$0	\$0	\$0	\$12,584

Warren Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2007

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
941	Ordinary Maintenance and Operations - Labor	\$0	\$162,634	\$0	\$0	\$0	\$162,634
942	Ordinary Maintenance and Operations - Materials and Other	\$3,372	\$92,768	\$2,304	\$0	\$170	\$98,614
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$12,671	\$0	\$0	\$0	\$12,671
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$62,116	\$0	\$0	\$0	\$62,116
961	Insurance Premiums	\$3,755	\$106,886	\$8,796	\$0	\$0	\$119,437
963	Payments in Lieu of Taxes	\$0	\$27,949	\$0	\$0	\$0	\$27,949
964	Bad Debt - Tenant Rents	\$0	\$30,140	\$0	\$0	\$0	\$30,140
969	Total Operating Expenses	\$196,835	\$952,136	\$265,780	\$16,231	\$65,086	\$1,496,068
970	Excess Operating Revenue over Operating Expenses	\$332,642	\$65,164	\$2,232,923	\$114,540	\$108,322	\$2,853,591
973	Housing Assistance Payments	\$328,964	\$0	\$1,967,024	\$0	\$107,504	\$2,403,492
974	Depreciation Expense	\$4,435	\$623,826	\$13,665	\$56	\$0	\$641,982
900	Total Expenses	\$530,234	\$1,575,962	\$2,246,469	\$16,287	\$172,590	\$4,541,542
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$757)	(\$558,662)	\$252,234	\$114,484	\$818	(\$191,883)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$340,669	\$12,676,794	\$352,114	\$329,293	\$83,485	\$13,782,355
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$289,910	\$0	(\$289,910)	\$0	\$0
	Ending Equity	\$339,912	\$12,408,042	\$604,348	\$153,867	\$84,303	\$13,590,472

Warren Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2007

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1120	Unit Months Available	648	2,496	5,376	0	72	8,592
1121	Number of Unit Months Leased	648	2,472	5,141	0	72	8,333
1117	Administrative Fee Equity	\$0	\$0	\$276,888	\$0	\$0	\$276,888
1118	Housing Assistance Payments Equity	\$0	\$0	\$327,460	\$0	\$0	\$327,460

Warren Metropolitan Housing Authority  
 Schedule of Expenditures of Federal Award  
 For the Year Ended December 31, 2007

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$600,098
Housing Choice Voucher Program	14.871	2,455,885
Public Housing Capital Fund Program	14.872	130,771
Supportive Housing Program	14.235	<u>466,593</u>
 Total Expenditure of Federal Award		 <u>\$3,653,347</u>



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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  
Warren Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the Warren Metropolitan Housing Authority basic financial statements and have issued my report thereon dated April 4, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider significant deficiencies.

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

I consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-1 and 2007-2.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Warren Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I have reported to management of Warren Metropolitan Housing Authority in a separate letter dated April 4, 2008.

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

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

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Salvatore Consiglio, CPA, Inc.

April 4, 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  
Warren Metropolitan Housing Authority

**Compliance**

I have audited the compliance of the Warren Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. Warren Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result 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 Warren Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Warren Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 the Warren Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Warren Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Warren Metropolitan Housing Authority, Ohio, 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.

### **Internal Control Over Compliance**

The management of Warren Metropolitan Housing Authority, Ohio 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 my audit, I considered Warren Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

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.

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

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

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

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Salvatore Consiglio, CPA, Inc.  
April 4, 2008



Warren Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2007

1. SUMMARY OF AUDITOR'S 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):	CFDA # 14.871 – Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

Warren Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2007

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2007-001**

**Significant Deficiency – Bank Reconciliation**

Audit procedures over bank reconciliation revealed that the detail of all outstanding checks is not carried forward from month to month. The bank reconciliation only reflects the total outstanding checks from previous month with no detail of the actual checks numbers outstanding (only current month o/s checks are detailed). As of December 31, 2007 the public housing program was carrying \$1,717.50 and housing choice voucher program was carrying \$36,734.80 of outstanding checks with no detail showing the check number, date or amount. Therefore, I was not able to determine if the reconciliation was properly performed, how old were the outstanding check or if they clear the bank in subsequent statements. Additional audit procedures were followed to attempt to identify the total checks that had not cleared the bank from previous months. However, I was not able to reconcile the entire amount outstanding. This can result in errors in reporting cash balance.

**Recommendation:**

The Authority must implement proper cash reconciliation procedures.

**Corrective Action Plan:**

While the Authority does not believe the cash balances have been at all miss-represented we are in the process of changing the procedures for the reconciliation of bank accounts. Through training of new staff one of the procedures will be the formation and maintenance of a comprehensive listing of checks outstanding. This listing will be maintained while carrying no checks older than six months to give a truer representation of cash balances. This will be put into place during the 2008 fiscal year and the Executive Director will be responsible for implementing this plan.

**Finding Number 2007-002**

**Significant Deficiency – Compensated Leave Liability**

Analysis of the compensated leave liability amount revealed several errors:

- The correct hourly rate for certain staff that was given pay increases in August of 2007 was not used in calculating the liability amount.

Warren Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2007

- Employees that had terminated employment with the agency and their compensated leave hours liquated prior to year end were not removed from the worksheet. Therefore those individuals hours were included in the calculation of the liability amount at year end.
- Final payout of vacation and sick time for employees that terminated employment with the agency were made from the accounts payable checking account and not from the payroll account. This resulted in that final check for these individuals not been included in the employee W-2 earning and also not included in the quarterly payroll taxes calculation.

The errors noted above were determined to be immaterial to the financial statements therefore not audit adjustments was necessary. However, this can result in error in future financial statements reporting.

Recommendation:

The Authority must implement proper controls to ascertain that the above errors will be eliminated. In addition, the authority should consider re-issuing corrected W-2s for employees affected.

Corrective Action Plan:

The Authority recognizes the error on the compensated absence liability and will incorporate an additional layer of review to assure the correct calculation and accrual of the liability. The new accountant will work with the fee accountant to assure that only those employees eligible for calculated leave will be included in the year end calculation.

The Authority will, I the future, only use the payroll system to issue final paychecks to employees. Implementing this will assure that the correct payroll amounts are reported to the IRS.

We expect these actions to be in place and functioning for the close of the 2008 fiscal year, the Executive Director will be responsible for implementing this plan.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There are no Findings or questioned costs for the year ended December 31, 2007.

Warren Metropolitan Housing Authority  
 Schedule of Prior Audit Findings  
 December 31, 2007

The following is the status of the December 31, 2006 audit finding.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
WMHA-2006-1	Eligibility	Yes	Finding fully corrected. No errors noted in tenant files reviewed
WMHA-2006-1	Rent Reasonableness	Yes	Finding fully corrected. No errors noted in tenant files reviewed



**Mary Taylor, CPA**  
Auditor of State

**WARREN METROPOLITAN HOUSING AUTHORITY**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 12, 2008**