

Warren Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Warren Metropolitan Housing Authority, Warren County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 8, 2004

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WARREN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

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Independent Auditors' Report

Board of Directors
Warren Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying basic financial statements of Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Warren Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Warren Metropolitan Housing Authority, Ohio, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 28, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

My Audit was performed for the purpose of forming and opinion on the basic financial statements taken as a whole. 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 of the Warren Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures 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 basic financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

May 28, 2004

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2003**

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, 2003. We encourage readers to consider the information presented here in conjunction with the authority's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the authority exceeded its liabilities as of December 31, 2003 by \$14,413,699 (net assets).
- The authority's cash balance as of December 31, 2003 was \$890,331 representing an increase of \$154,290 from December 31, 2003.
- The authority had intergovernmental revenue of \$3,706,681 in operating grants and \$2,242,585 of capital grants for the year-ended December 31, 2003.

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, 2003**

Unaudited

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)

Total Assets increased by \$2,384,792. Specifically, **Cash** increased by \$154,290 and **Capital Assets** increased by \$1,889,198 due mainly to the completion of two new development sites.

Cash and Current Assets increased by \$495,594 due mainly to an increase in cash resulting from collection of a prior year receivable from HUD for the transitions program and an increase in the interprogram receivables in FY 2003 due to uncertainty in timing of receipt of Section 8 funding.

Total Liabilities increased by \$389,316 due to an increase in interprogram receivables as outlined above.

The following table summarizes the change in Net Assets between December 31, 2003 and 2002 for the authority as a whole:

	<u>2003</u>	<u>2002</u>	<u>Net Change</u>	<u>% Change</u>
Cash	\$ 890,331	\$ 736,041	\$ 154,290	20.96%
Current Assets – net of cash	860,286	518,982	341,304	65.76%
Capital Assets – net of deprec.	<u>13,469,215</u>	<u>11,580,017</u>	<u>1,889,198</u>	<u>16.31%</u>
 Total Assets	 <u>\$ 15,219,832</u>	 <u>\$ 12,835,040</u>	 <u>\$ 2,384,792</u>	 <u>18.58%</u>
 Current Liabilities	 \$ 652,307	 \$ 357,270	 \$ 295,037	 82.58%
Non-current Liabilities	<u>153,826</u>	<u>59,547</u>	<u>94,279</u>	<u>158.33%</u>
 Total Liabilities	 <u>\$ 806,133</u>	 <u>\$ 416,817</u>	 <u>\$ 389,316</u>	 <u>93.40%</u>
 Invested in Capital Assets, Net	 \$ 13,469,215	 \$11,580,017	 \$1,889,198	 16.31%
Unrestricted Net Assets	<u>944,484</u>	<u>838,206</u>	<u>106,278</u>	<u>12.68%</u>
Total Net Assets	<u>\$ 14,413,699</u>	<u>\$ 12,418,223</u>	<u>\$ 1,995,476</u>	<u>16.07%</u>

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2003**

Unaudited

Comparatively, FYE 2003 operating revenue exceeded FYE 2002 operating revenue by \$2,552,943. Capital Grant revenue for the development program was the driving force behind the 64.84% increase.

Comparatively, FYE 2003 total expense exceeded FYE 2002 total expenses by 332,758. This increase was due to increase in Housing Assistance Payments. Total unit months leased by the Housing Choice Voucher Program increased by 194 unit months. This explains the increase in total expenses.

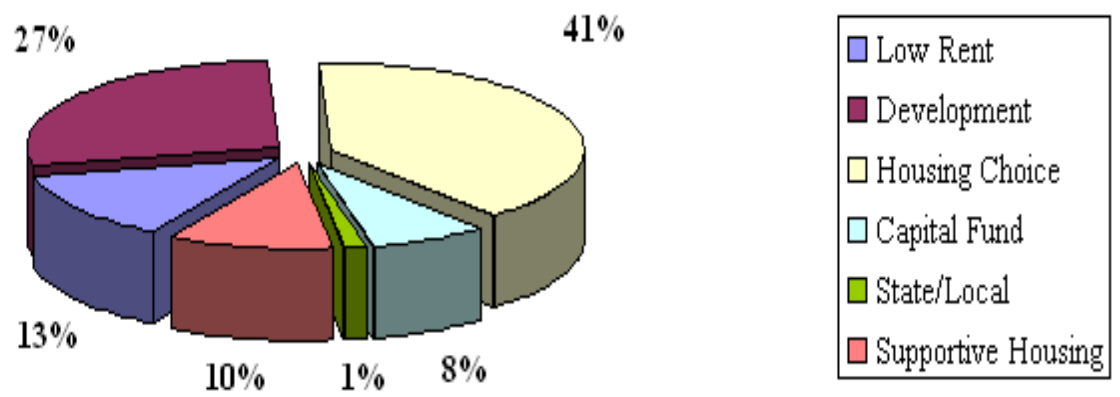
The following table summarizes the changes in operating revenue income between FYE 2003 and 2002 for the authority as a whole:

	<u>2003</u>	<u>2002</u>	<u>Net Change</u>	<u>% Change</u>
Tenant Rental Revenue	\$ 369,131	\$ 400,662	\$ (31,531)	-7.87%
HUD PHA Operating Grants	3,629,553	3,190,754	433,799	13.75%
Other Governmental Grants	77,128	157,166	(80,038)	-50.93%
Capital Grants	2,242,585	11,513	2,231,072	19378.72%
Investment Income	5,288	33,657	(28,369)	-84.29%
Other Income	158,237	135,227	23,010	17.02%
Total Revenue	<u>6,481,922</u>	<u>3,928,979</u>	<u>2,552,943</u>	<u>64.98%</u>
Operating Expenses:				
Administrative	712,023	733,548	(21,525)	-2.93%
Tenant Services	161,806	206,644	(44,838)	-21.70%
Utilities	81,313	78,843	2,470	3.13%
Maintenance	242,989	234,911	8,078	3.44%
General	194,196	180,316	13,880	7.70%
Non-routine	8,795	10,469	(1,674)	-15.99%
Housing Assistance Payments	2,605,749	2,250,499	355,250	15.79%
Depreciation	479,575	458,458	21,117	4.61%
Total Expenses	<u>4,486,446</u>	<u>4,153,688</u>	<u>332,758</u>	<u>8.01%</u>
Net Income/(Loss)	<u>\$ 1,995,476</u>	<u>\$ (224,709)</u>	<u>\$ 2,220,185</u>	<u>988.03%</u>

Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2003

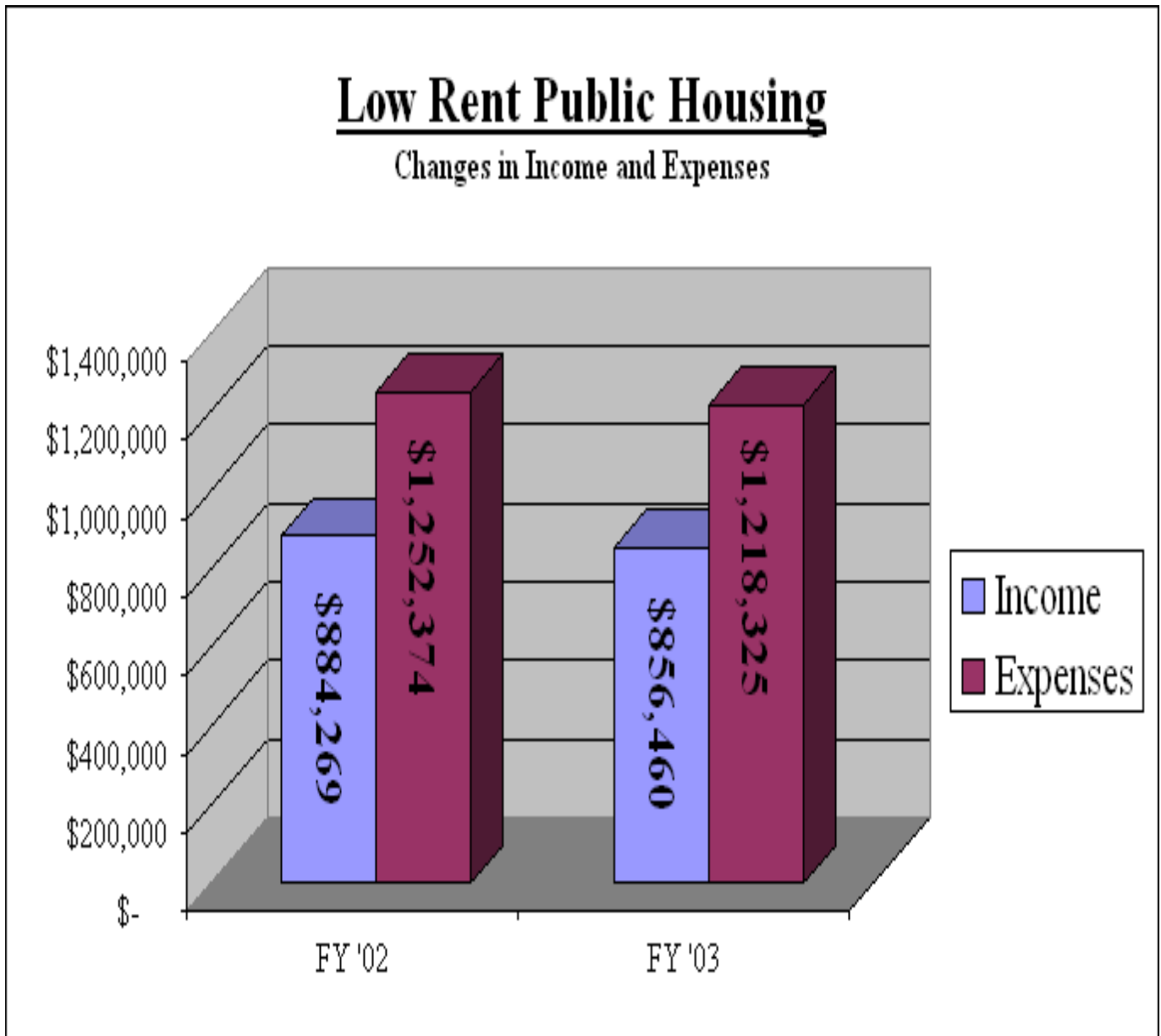
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Revenue by Funding Source



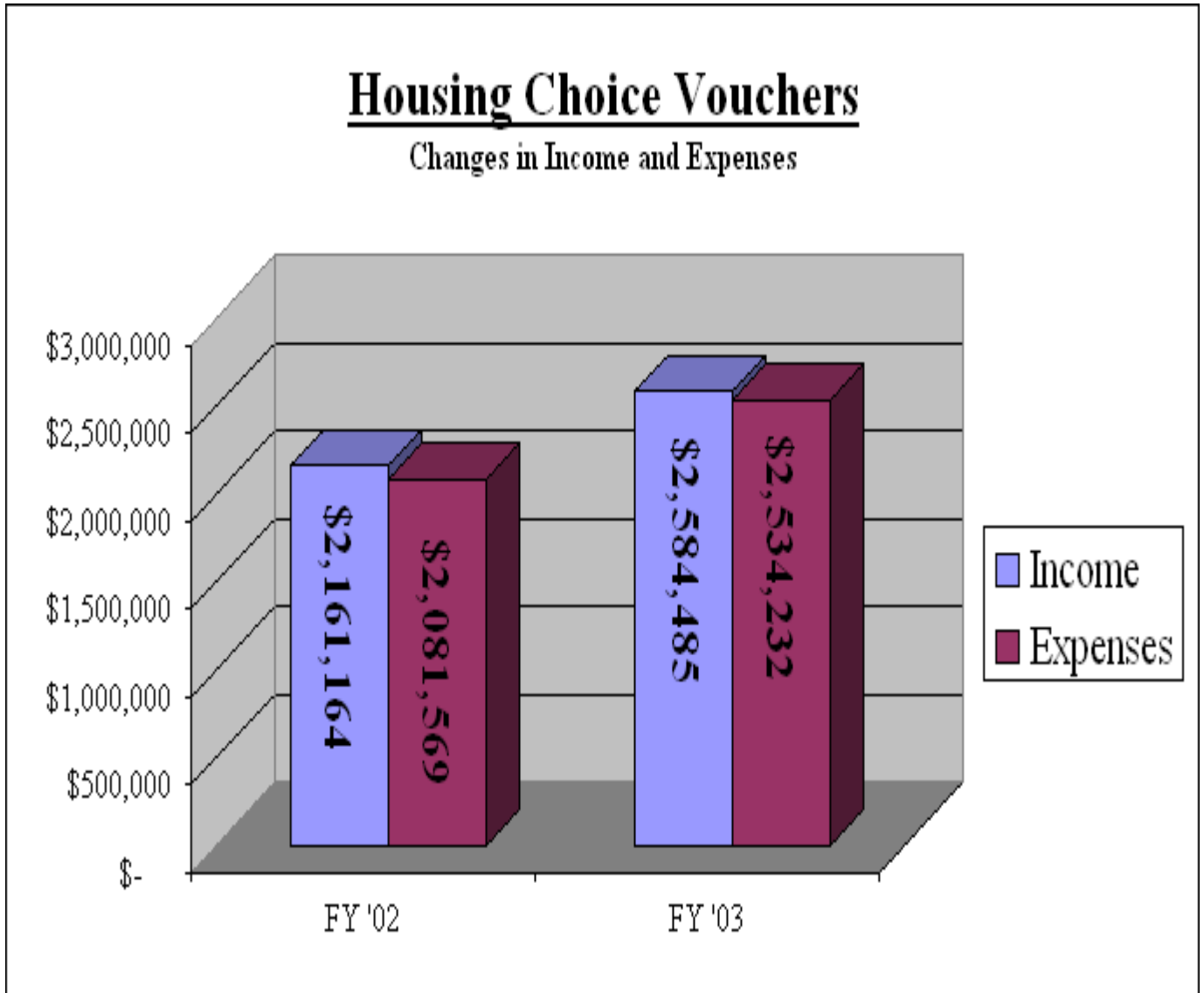
Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2003

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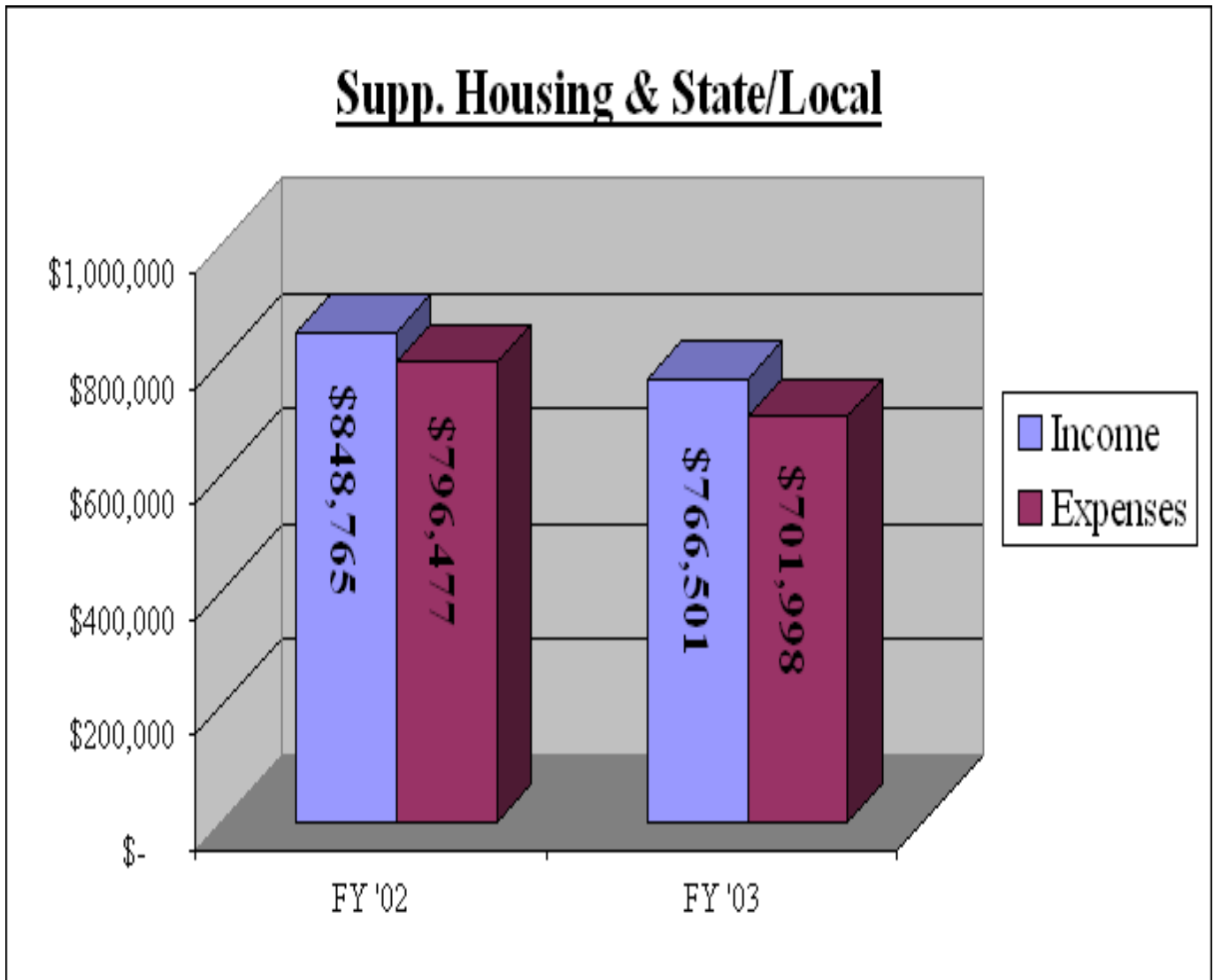
Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2003

Unaudited



Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2003

Unaudited



**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2003**

Unaudited

CAPITAL ASSET & DEBT ADMINISTRATION

The following table summarizes the changes in capital assets between December 31, 2003 and 2002:

	2003	2002	Net Change	% Change
Land	\$1,638,444	\$1,638,444	\$ -	0.00%
Building	14,003,446	14,220,765	(217,319)	-1.53%
Equipment	410,560	326,669	83,891	25.68%
Construction in Progress	2,501,682	-	2,501,682	100.00%
Total Capital Assets	18,554,132	16,185,878	2,368,254	14.63%
Accumulated Depreciation	(5,084,917)	(4,605,861)	(479,056)	-10.40%
Net Capital Assets	<u>\$13,469,215</u>	<u>\$ 11,580,017</u>	<u>\$ 1,889,198</u>	<u>16.31%</u>

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, 2003

ASSETS

Current assets

Cash and cash equivalents	\$863,629
Restricted cash and cash equivalents	102,643
Receivables, net	253,556
Prepaid expenses and other assets	46,421
Interprogram due from	484,368
Total current assets	1,750,617

Noncurrent assets

Capital assets:	
Land	1,638,444
Building and equipment	14,414,006
Construction in Progress	2,501,682
Less accumulated depreciation	(5,084,917)
Total noncurrent assets	13,469,215
Total assets	\$15,219,832

LIABILITIES

Current liabilities

Accounts payable	\$38,439
Accrued liabilities	39,215
Intergovernmental payables	36,267
Tenant security deposits	49,538
Deferred revenue	1,197
Other current liabilities	3,283
Interprogram due to	484,368
Total current liabilities	652,307

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2003

Noncurrent liabilities

Accrued compensated absences non-current	13,430
Noncurrent liabilities – other	140,396
<i>Total noncurrent liabilities</i>	<u>153,826</u>
Total liabilities	<u><u>\$806,133</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$13,469,215
Unrestricted net assets	944,484
Total net assets	<u><u>\$14,413,699</u></u>

The accompanying notes to the basic 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, 2003

OPERATING REVENUES

Tenant Revenue	\$369,131
Government operating grants	3,706,681
Other revenue	158,237
Total operating revenues	<u>4,234,049</u>

OPERATING EXPENSES

Administrative	712,023
Tenant services	161,806
Utilities	81,313
Maintenance	251,784
General	194,196
Housing assistance payment	2,605,749
Depreciation	479,575
Total operating expenses	<u>4,486,446</u>
Operating income (loss)	<u>(252,397)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	<u>5,288</u>
Total nonoperating revenues (expenses)	<u>5,288</u>
Income (loss) before contributions and transfers	<u>(247,109)</u>
Capital grants	2,242,585
Total net assets – beginning	<u>12,418,223</u>
Total net assets – ending	<u><u>\$14,413,699</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$369,131
Operating grant received	3,701,125
Other revenue received	158,237
Cash Paid for general and administrative expenses	(1,272,132)
Cash Paid for housing assistance	(2,605,749)
Net Cash provided by operating activities	<u>350,612</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	5,288
Net Cash provided by investing activities	<u>5,288</u>

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:

Capital grant received	2,242,585
Purchase of Assets	(2,368,254)
Net Cash used in capital and financing activities	<u>(125,669)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	230,231
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>736,041</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>\$966,272</u></u>

RECONCILIATION OF NET INCOME CASH PROVIDED BY OPERATING ACTIVITIES:

Net income	(\$252,397)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	479,575
Decrease in accounts receivable	182,855
Increase in Prepaid expenses	(19,072)
Increase in other receivable	(429,146)
Increase in accounts payable	341,681
Decrease in compensated absences	(5,625)
Increase in other liabilities	52,741
Net cash provided by operating activities	<u>\$350,612</u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(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 on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2003 totaled \$5,288.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Compensated Absences

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 2: DEPOSITS (Continued)

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

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

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$995,762	\$995,762	\$0	\$0	\$966,272
Total Deposits	\$995,762	\$995,762	\$0	\$0	\$966,272

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2003 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.

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.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 5: FIXED ASSETS

The following is a summary:

Land	\$1,638,444
Buildings	14,003,446
Furniture, Machinery and Equipment	410,560
Construction in Progress	2,501,682
Total Fixed Assets	18,554,132
Accumulated Depreciation	(5,084,917)
Net Fixed Assets	\$13,469,215

The following is a summary of changes:

	Balance 12/31/02	Adjust.	Additions	Deletion	Balance 12/31/03
Land	\$1,638,444	\$0	\$0	\$0	\$1,638,444
Buildings	14,220,765	(217,319)	0	0	14,003,446
Furnt, Mach. and Equip.	326,669	0	83,891	0	410,560
Construction in Progress	0	217,319	2,284,363	0	2,501,682
Total Fixed Assets	\$16,185,878	\$0	\$2,368,254	\$0	\$18,554,132

The depreciation expense for the year ended December 31, 2003 was \$479,575.

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

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended December 31, 2003, 2002 and 2001 were \$81,737, \$74,996, and \$41,671, respectively. The full amount has been contributed for 2001 and 2000. Eighty-nine percent has been contributed for 2003, with the remainder being reported as a liability with the enterprise fund.

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2003 was 5.0 percent of covered payroll, which amounted to \$30,161. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$39,958	\$503,801	\$0	\$236,823	\$0	\$7,106	\$787,688
113	Cash - Other Restricted	0	58,240	0	0	0	0	58,240
114	Cash - Tenant Security Deposits	0	44,403	0	0	0	0	44,403
100	Total Cash	39,958	606,444	0	236,823	0	7,106	890,331
122	Accounts Receivable - HUD Other Projects	41,414	0	0	91,895	22,023	0	155,332
125	Accounts Receivable - Miscellaneous	0	0	0	81,976	0	0	81,976
126	Accounts Receivable - Tenants - Dwelling Rents	5,502	30,597	0	0	0	979	37,078
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(708)	(19,998)	0	0	0	(124)	(20,830)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0
128.1	Allowance for Doubtful Accounts - Fraud	0	0	0	0	0	0	0
120	Total Receivables, net of allowances for doubtful accounts	46,208	10,599	0	173,871	22,023	855	253,556
131	Investments - Unrestricted	0	75,941	0	0	0	0	75,941
142	Prepaid Expenses and Other Assets	3,590	42,831	0	0	0	0	46,421
143.1	Allowance for Obsolete Inventories	0	0	0	0	0	0	0
144	Interprogram Due From	172,266	249,840	0	0	0	62,262	484,368
150	Total Current Assets	262,022	985,655	0	410,694	22,023	70,223	1,750,617

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
161	Land	0	1,638,444	0	0	0	0	1,638,444
162	Buildings	0	13,952,612	50,834	0	0	0	14,003,446
163	Furniture, Equipment & Machinery - Dwellings	0	18,521	0	0	0	0	18,521
164	Furniture, Equipment & Machinery - Administration	34,038	245,803	11,534	94,610	0	6,054	392,039
165	Leasehold Improvements	0	0	0	0	0	0	0
166	Accumulated Depreciation	(34,038)	(5,036,312)	0	(8,513)	0	(6,054)	(5,084,917)
167	Construction In Progress	0	0	1,775,369	0	726,313	0	2,501,682
160	Total Fixed Assets, Net of Accumulated Depreciation	0	10,819,068	1,837,737	86,097	726,313	0	13,469,215
190	Total Assets	\$262,022	\$11,804,723	\$1,837,737	\$496,791	\$748,336	\$70,223	\$15,219,832
312	Accounts Payable <= 90 Days	\$0	\$38,439	\$0	\$0	\$0	\$0	\$38,439
321	Accrued Wage/Payroll Taxes Payable	0	37,724	0	0	0	0	37,724
322	Accrued Compensated Absences - Current Portion	623	572	0	186	0	110	1,491
331	Accounts Payable - HUD PHA Programs	0	0	0	0	0	14,308	14,308
333	Accounts Payable - Other Government	0	21,959	0	0	0	0	21,959
341	Tenant Security Deposits	0	49,538	0	0	0	0	49,538
342	Deferred Revenues	554	544	0	0	0	99	1,197
345	Other Current Liabilities	0	3,283	0	0	0	0	3,283

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
347	Interprogram Due To	0	231,811	0	230,534	22,023	0	484,368
310	Total Current Liabilities	1,177	383,870	0	230,720	22,023	14,517	652,307
354	Accrued Compensated Absences - Non Current	5,610	5,153	0	1,677	0	990	13,430
353	Noncurrent Liabilities - Other	0	24,959	0	115,437	0	0	140,396
350	Total Noncurrent Liabilities	5,610	30,112	0	117,114	0	990	153,826
300	Total Liabilities	6,787	413,982	0	347,834	22,023	15,507	806,133
508.1	Invested in Capital Assets, Net of Related Debt	0	10,819,068	1,837,737	86,097	726,313	0	13,469,215
512.1	Unrestricted Net Assets	255,235	571,673	0	62,860	0	54,716	944,484
513	Total Equity/Net Assets	255,235	11,390,741	1,837,737	148,957	726,313	54,716	14,413,699
600	Total Liabilities and Equity/Net Assets	\$262,022	\$11,804,723	\$1,837,737	\$496,791	\$748,336	\$70,223	\$15,219,832

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$59,037	\$299,568	\$0	\$0	\$0	\$10,526	\$369,131
705	Total Tenant Revenue	59,037	299,568	0	0	0	10,526	369,131
706	HUD PHA Operating Grants	613,166	462,106	23,248	2,522,390	8,643	0	3,629,553
706.1	Capital Grants	0	0	1,762,935	0	479,650	0	2,242,585
708	Other Government Grants	0	0	0	0	0	77,128	77,128
711	Investment Income - Unrestricted	34	5,016	0	232	0	6	5,288
713.1	Cost of Sale of Assets	0	0	0	0	0	0	0
715	Other Revenue	6,017	89,770	0	61,863	0	587	158,237
720	Investment Income - Restricted	0	0	0	0	0	0	0
700	Total Revenue	678,254	856,460	1,786,183	2,584,485	488,293	88,247	6,481,922
911	Administrative Salaries	65,292	105,077	17,692	169,424	8,643	17,223	383,351
912	Auditing Fees	573	3,423	0	4,115	0	0	8,111
914	Compensated Absences	724	(4,737)	0	(3,603)	0	128	(7,488)
915	Employee Benefit Contributions - Administrative	21,747	25,427	0	69,171	0	1,831	118,176
916	Other Operating - Administrative	24,066	101,445	5,556	72,893	0	5,913	209,873
921	Tenant Services - Salaries	67,240	0	0	0	0	19,922	87,162
923	Employee Benefit Contributions - Tenant Services	9,461	0	0	0	0	978	10,439
924	Tenant Services - Other	58,164	0	0	0	0	6,041	64,205
931	Water	1,197	20,622	0	0	0	137	21,956

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
932	Electricity	0	48,026	0	0	0	0	48,026
933	Gas	0	9,508	0	0	0	0	9,508
938	Other Utilities Expense	0	1,823	0	0	0	0	1,823
941	Ordinary Maintenance and Operations - Labor	0	121,333	0	0	0	0	121,333
942	Ordinary Maintenance and Operations - Materials and Other	0	62,634	0	966	0	0	63,600
943	Ordinary Maintenance and Operations - Contract Costs	0	28,695	0	0	0	0	28,695
945	Employee Benefit Contributions - Ordinary Maintenance	0	29,361	0	0	0	0	29,361
961	Insurance Premiums	0	114,446	0	16,289	0	0	130,735
963	Payments in Lieu of Taxes	0	21,959	0	0	0	0	21,959
964	Bad Debt - Tenant Rents	0	41,502	0	0	0	0	41,502
969	Total Operating Expenses	248,464	730,544	23,248	329,255	8,643	52,173	1,392,327
970	Excess Operating Revenue over Operating Expenses	429,790	125,916	1,762,935	2,255,230	479,650	36,074	5,089,595
971	Extraordinary Maintenance	0	11,295	0	0	0	0	11,295
972	Casualty Losses - Non-Capitalized	0	(2,500)	0	0	0	0	(2,500)
973	Housing Assistance Payments	375,874	0	0	2,204,530	0	25,345	2,605,749
974	Depreciation Expense	120	478,986	0	447	0	22	479,575

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
900	Total Expenses	624,458	1,218,325	23,248	2,534,232	8,643	77,540	4,486,446
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	53,796	(361,865)	1,762,935	50,253	479,650	10,707	1,995,476
1103	Beginning Equity	201,439	11,752,606	74,802	98,704	246,663	44,009	12,418,223
	Ending Equity	\$255,235	\$11,390,741	\$1,837,737	\$148,957	\$726,313	\$54,716	\$14,413,699
1102	Debt Principal Payments - Enterprise Funds	0	0	0	0	0	0	0
1113	Maximum Annual Contributions Commitment (Per ACC)	0	0	0	652,386	0	0	652,386
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	1,539,579	0	0	1,539,579
1115	Contingency Reserve, ACC Program Reserve	0	0	0	436,215	0	0	436,215
1116	Total Annual Contributions Available	0	0	0	2,628,180	0	0	2,628,180
1120	Unit Months Available	600	2,664	0	5,376	0	96	8,736
1121	Number of Unit Months Leased	600	2,584	0	5,376	0	96	8,656

Warren Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$462,106
Development Public Housing	14,850b	1,786,183
Housing Choice Voucher Program	14.871	2,522,390
Public Housing Capital Fund Program	14.872	488,293
Supportive Housing by Person with Disabilities	14.181	<u>613,166</u>
 Total Expenditure of Federal Award		 <u><u>\$5,872,138</u></u>



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

Board of Directors
Warren Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the basic financial statements of the Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, and have issued my report thereon dated May 28, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use 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 these specified parties.

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

May 28, 2004



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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

Regional Inspector General of Audit
Department of Housing and Urban
Development

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, 2003. 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, 2003.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

May 28, 2004

Warren Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
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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)?	No
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 # 14.850a, 14.850b & 14.872 – Low Rent Public Housing, Public Housing Development and Capital Fund Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended December 31, 2003.

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended December 31, 2003.

Warren Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2003

The audit report for the fiscal year ending December 31, 2003 contained not audit finding.



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 23, 2004**