Youngstown Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2008

Board of Directors
Youngstown Metropolitan Housing Authority
131 West Boardman Street
Youngstown, Ohio 44503

We have reviewed the *Independent Auditor's Report* of the Youngstown Metropolitan Housing Authority, Mahoning County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Youngstown Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 13, 2009

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YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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# Independent Auditors' Report

Board of Directors
Youngstown Metropolitan Housing
Authority

I have audited the accompanying financial statements of the business-type activities of Youngstown Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Youngstown 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 Youngstown Metropolitan Housing Authority, Ohio, as of June 30, 2008, 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 February 26, 2009, on my consideration of Youngstown 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 consider 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 Youngstown 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.  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.
February 26, 2009

**YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2008**
**(Unaudited)**

As management of the Youngstown Metropolitan Housing Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page **11**.

## FINANCIAL HIGHLIGHTS

- Assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by $62,739,231 (net assets), an increase of 7.5 percent.
- The Authority's cash and investment balance at June 30, 2008 was $7,883,851, representing a decrease of $45,134, or .56 percent, from June 30, 2007.
- The Authority had total revenue of $30,352,673 and total expenditures of $25,466,199 for the year ended June 30, 2008, increasing net assets by $4,886,474 for the year.
- The Authority's capital outlays for the year were $8,274,705.

## USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. These statements comprise three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

## REQUIRED FINANCIAL STATEMENTS

**MD&A**
Management Discussion and Analysis

**Basic Financial Statements**
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows to future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *combined statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The Authority has many programs that are consolidated into a single enterprise fund. The major programs consist of the following:

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

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

<u>Housing Choice Voucher Program (Section 8)</u> – HUD provides the Authority with vouchers to assist eligible families rent privately owned homes. A portion of the participant's rent is paid by YMHA to the landlord. The participant is responsible for paying the remainder portion. Applicants are chosen via a lottery.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development.

The financial statements can be found on pages **11** through **15** of this report.

## <u>Fund Financial Statements</u>

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one fund type, namely a proprietary fund.

## Notes to the Financial Statements

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages **16** through **29** of this report.

## SUPPLEMENTARY INFORMATION

## Financial Analysis of the Authority

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

**Table 1 - Condensed Statement of Net Assets Compared to Prior Year**
**(Values Rounded to Nearest Thousand)**

| | | 2008 | | 2007 |
|---|---|---|---|---|
| Current and Other Assets | $ | 12,250 | $ | 8,766 |
| Capital Assets | | 57,926 | | 54,198 |
| Total Assets | $ | 70,176 | $ | 62,964 |
| Current Liabilities | $ | 5,172 | $ | 1,838 |
| Long-Term Liabilities | | 2,265 | | 2,766 |
| Total Liabilities | | 7,437 | | 4,604 |
| Net Assets: | | | | |
| Investment in Capital Assets, net of Related Debt | | 55,521 | | 51,275 |
| Restricted Net Assets | | 2,993 | | 4,207 |
| Unrestricted Net Assets | | 4,225 | | 2,878 |
| Total Net Assets | | 62,739 | | 58,360 |
| Total Liabilities and Net Assets | $ | 70,176 | $ | 62,964 |

For more detail information see Statement of Net Assets presented elsewhere in this report.

During 2008, total assets increased by $7,212k due to a increase in the Current Assets, this is due to the fact that the Authority had large accounts payable for the final phase of the Hope VI project corresponding to the payables an account receivable from HUD was recorded.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $62,739,231 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (82 percent) reflects its investments in capital assets (e.g., buildings, machinery, and equipment). The Authority uses these capital assets to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

**<u>Statement of Revenues, Expenses, and Changes in Net Assets</u>**

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Net Assets.

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**Table 2 - Statement of Revenue, Expenses & Changes in Net Assets**
**(Values Rounded to Nearest Thousand)**

| | 2008 | 2007 |
|---|---|---|
| **Revenues** | | |
| Tenant Revenues - Rents & Other | $ 2,434 | $ 2,444 |
| Operating Subsidies & Grants | 18,579 | 20,032 |
| Capital Grants | 8,566 | 7,563 |
| Investment Income | 299 | 311 |
| Other Revenues | 474 | 157 |
| **Total Revenues** | **30,352** | **30,507** |
| **Expenses** | | |
| Administrative | 4,323 | 4,773 |
| Tenant Services | 350 | 208 |
| Utilities | 2,343 | 2,260 |
| Maintenance | 3,169 | 2,569 |
| Protective Services | 241 | 0 |
| General & Interest Expenses | 940 | 849 |
| Housing Assistance Payaments | 9,675 | 8,811 |
| Depreciation | 4,406 | 4,539 |
| Other | 19 | 32 |
| **Total Expenses** | **25,466** | **24,041** |
| **Net Increases (Decreases)** | **$ 4,886** | **$ 6,466** |

Expenditures increased by $1,425K over last year in large part due to the large increase in maintenance expense of $600K and greater HAP payments of $864K.

The net assets of the Authority increased by $4,886,474 during the current fiscal year. The Authority receives its primary source of income from governmental revenues through HUD's Line-of-Credit Control System (eLOCCS). Allowable program expenses, with the exception of non-cash transactions (such as depreciation expense and changes in compensated absences) are drawn down from funds granted to the Authority. Governmental revenues, rental income, and charges for services were sufficient to cover all expenses incurred during fiscal year 2008.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2008, the Authority's investment in capital assets for its business-type activities was $57,926,286 (net of accumulated depreciation) as reflected in the following schedule.

**Table 3 - Condensed Statement of Changes in Capital Assets**
**(Values Rounded to Nearest Thousand)**

| | | 2008 | | 2007 |
|---|---|---|---|---|
| Land and Land Rights | $ | 3,313 | $ | 3,344 |
| Building & Improvements | | 127,365 | | 126,628 |
| Equipment | | 1,499 | | 1,463 |
| Construction in Progress | | 15,328 | | 7,974 |
| Accumulated Depreciation | | (89,579) | | (85,211) |
| Total | $ | 57,926 | $ | 54,198 |

### Capital Assets and Debt Administration

Major capital asset transactions during the current fiscal year include the following:

- Hope VI construction amount capitalized during the year totaled $4,572,100.
- Plumbing Upgrade at Gutknect Towers in the amount of $171,775.
- New Roof at Struthers Manor in the amount of $113,481.
- Finally the change in equipment results from a reallocation between the two classes Administative and Development.

Additional information on the Authority's capital assets can be found in Note 4 on pages 21 and 22 of this report.

## LONG-TERM DEBT

As of June 30, 2008, the Authority had $2,404,706 of long-term debt, a decrease of $518,398, or 17.7 percent, over the prior year. The Authority has two borrowings that were used to increase the energy efficiency of the Authority's buildings one bears interest at 5.16% and has an outstanding balance at year-end of $2,058,811 the other has an interest rate of 4.85% and a remaining balance of $311,886. Additionally, there is $34,009 remaining on a 30-year mortgage of the Authority's Lowellville property. The mortgage bears interest at 7.52 percent.

**Table 4 - Condensed Statement of Changes in Debt Outstanding**
**(Values Rounded to Nearest Thousand)**

| | 2008 | 2007 |
|---|---|---|
| Current Portion of Debt | $ 485 | $ 521 |
| Long Term Portion of Debt | 1,920 | 2,402 |
| Total | $ 2,405 | $ 2,923 |

Additional information on the Authority's long-term debt can be found in Note **7 on pages 25 and 26** of this report.

## Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the 2009 fiscal year:

- HUD and the Housing Authority are still in the process of implementing the project based management, operation, and budgeting. This was effective January 1, 2007 and with all significant changes the implemention takes time to properly implement and account for. This year will be the first year that the AMP managers will have significant input on their operating budget, now that there is one year of actual data for comparative purposes. Additionally HUD is still fine tuning their requirements to Housing Authorities to help with the implementation.

- HUD is currently funding only 89% of the calculated operating subsidy for the first six months of the year this means the Authority will have a funding shortfall of $764k due to proration.

- The Authority's operating expenditures do not show any significant increases other than expected inflationary increases.

## Future Events that will Financially Impact the Authority

Approximately 90 percent of the Authority's revenues come from governmental grants. Going forward, the Authority will need to develop alternative sources of income to avoid the risks inherent in being dependent on one primary source of revenue. HUD has encouraged public housing authorities to become more entrepreneurial in their operations to protect against decreasing funding and/or other unforeseen circumstances. Without taking such actions, the Authority could face uncertainty in the future.

## Contacting the Authority's Financial Management

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 financial information should be addressed to the Executive Director, Youngstown Metropolitan Housing Authority, 131 West Boardman Street, Youngstown, Ohio 44503, or call (330) 744-2161.

Respectfully submitted,

Clifford Scott
Executive Director

**Youngstown Metropolitan Housing Authority**
**Statement of Net Assets**
**Proprietary Funds**
**June 30, 2008**

| | |
|---|---|
| ***ASSETS*** | |
| Current assets | |
| Cash and cash equivalents | $4,544,374 |
| Restricted cash and cash equivalents | 3,339,477 |
| Receivables, net | 4,052,961 |
| Inventories, net | 38,991 |
| Prepaid expenses and other assets | 95,779 |
| **Total current assets** | **12,071,582** |
| | |
| Noncurrent assets | |
| Capital assets: | |
| Land | 3,312,699 |
| Building and equipment | 128,864,545 |
| Construction in Progress | 15,328,418 |
| Less accumulated depreciation | (89,579,376) |
| **Capital assets, net** | **57,926,286** |
| Other noncurrent assets | 177,804 |
| **Total noncurrent assets** | **58,104,090** |
| | |
| **Total assets** | **$70,175,672** |
| | |
| ***LIABILITIES*** | |
| Current liabilities | |
| Accounts payable | $2,557,701 |
| Accrued liabilities | 497,588 |
| Accrued Interest | 2,506 |
| Intergovernmental payables | 468,436 |
| Tenant security deposits | 134,661 |
| Deferred revenue | 1,026,396 |
| Bonds, notes, and loans payable | 484,557 |
| **Total current liabilities** | **$5,171,845** |

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

**Youngstown Metropolitan Housing Authority**
**Statement of Net Assets (Continued)**
**Proprietary Funds**
**June 30, 2008**

| | |
|---|---|
| Noncurrent liabilities | |
| Bonds, notes, and loans payable | $1,920,149 |
| Noncurrent liability other | 112,263 |
| Accrued compensated absences non-current | 232,184 |
| **Total noncurrent liabilities** | **2,264,596** |
| **Total liabilities** | **$7,436,441** |
| ***NET ASSETS*** | |
| Invested in capital assets, net of related debt | $55,521,561 |
| Restricted net assets | 2,993,014 |
| Unrestricted net assets | 4,224,656 |
| **Total net assets** | **$62,739,231** |

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

## Youngstown Metropolitan Housing Authority
## Statement of Revenues, Expenses, and Changes in Fund Net Assets
## Proprietary Funds
## For the Year Ended June 30, 2008

| | |
|---|---|
| ***OPERATING REVENUES*** | |
| Tenant Revenue | $2,434,440 |
| Government operating grants | 18,578,895 |
| Other revenue | 473,831 |
| **Total operating revenues** | **21,487,166** |
| | |
| ***OPERATING EXPENSES*** | |
| Administrative | 4,323,276 |
| Tenant Services | 349,892 |
| Utilities | 2,342,899 |
| Maintenance | 3,169,382 |
| Protective Services | 240,751 |
| General | 799,434 |
| Housing assistance payment | 9,674,545 |
| Depreciation | 4,405,588 |
| ***Total operating expenses*** | ***25,305,767*** |
| | |
| **Operating income (loss)** | **(3,818,601)** |
| | |
| ***NONOPERATING REVENUES (EXPENSES)*** | |
| Interest and investment revenue | 299,394 |
| Interest expense | (141,323) |
| ***Total nonoperating revenues (expenses)*** | ***158,071*** |
| | |
| Income (loss) before contributions and transfers | (3,660,530) |
| | |
| Capital grants | 8,566,113 |
| Loss from sale of capital assets | (19,109) |
| | |
| Change in net assets | 4,886,474 |
| Total net assets - beginning (restated) | 57,852,757 |
| | |
| **Total net assets - ending** | **$62,739,231** |

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

**Youngstown Metropolitan Housing Authority**
**Statement of Cash Flows**
**Proprietary Funds**
**For the Year Ended June 30, 2008**

| | |
|---|---|
| ***CASH FLOWS FROM OPERATING ACTIVITIES*** | |
| Operating grants received | $18,578,895 |
| Tenant revenue received | 2,434,440 |
| Other revenue received | 521,786 |
| General and administrative expenses paid | (11,995,606) |
| Housing assistance payments | (9,674,545) |
| **Net cash provided (used) by operating activities** | **(135,030)** |
| ***CASH FLOWS FROM INVESTING ACTIVITIES*** | |
| Interest earned | 299,394 |
| **Net cash provided (used) by investing activities** | **299,394** |
| ***CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES*** | |
| Capital grant funds received | 8,566,113 |
| Property and equipment purchased | (8,274,705) |
| Proceeds from sale | 158,862 |
| Principal Payment | (518,396) |
| Interest Payment on Debt | (141,372) |
| **Net cash provided (used) by capital and related activities** | **(209,498)** |
| Net increase (decrease) in cash | (45,134) |
| Cash and cash equivalents - Beginning of year | 7,928,985 |
| ***Cash and cash equivalents - End of year*** | ***$7,883,851*** |

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

**Youngstown Metropolitan Housing Authority**
**Statement of Cash Flows (Continued)**
**Proprietary Funds**
**For the Year Ended June 30, 2008**

| | |
|---|---|
| ***RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES*** | |
| Net Operating Income (Loss) | ($3,818,601) |
| Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities | |
| - Depreciation | 4,405,588 |
| - (Increases) Decreases in Accounts Receivable | (3,362,704) |
| - (Increases) Decreases in Prepaid Assets | 51,340 |
| - (Increases) Decreases in Inventory | (38,991) |
| - (Increases) Decreases in Other Assets | (177,804) |
| - Increases (Decreases) in Accounts Payable | 1,531,496 |
| - Increases (Decreases) in Intergovernmental Payable | 384,025 |
| - Increases (Decreases) in Compensated Absence Payable | 5,933 |
| - Increases (Decreases) in Accrued Expenses Payable | (102,146) |
| - Increases (Decreases) in Other Noncurrent Liabilities | (25,890) |
| - Increases (Decreases) in Tenant Security Deposits | (2,205) |
| - Increases (Decreases) in Deferred Revenue/Other Liabilities | 1,014,929 |
| ***Net cash provided by operating activities*** | ***($135,030)*** |

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

**YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY**
**NOTES TO THE BASIC FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**Description of the Entity and Programs**
The Youngstown Metropolitan Housing Authority (the Authority) is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. 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 rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The Authority participates in the Section 8 Moderate Rehab, Substantial Rehab, New Construction and Housing Choice Voucher programs provided by HUD. In these section 8 programs, rental assistance is provided to families based on the families' ability to pay in accordance with HUD regulations. Under the Housing Choice Voucher program, the rental assistance is tied to the tenant family. The rental assistance, in general, is provided to help the family pay rent whereever they choose to live. Under the Mod Rehab, Substantial Rehab, and New Construction Programs, the rental assistance is tied to the dwelling unit selected by HUD. A tenant family becomes eligible for rental assistance when they rent the unit selected by HUD. The Authority also participates in the Public Housing program. Under this program, the Authority manages constructed or financed public housing units using grant funds from HUD. Tenants of these facilities pay a percentage of his/her adjusted gross income towards rent and utilities.

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

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

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

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

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

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

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

**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.

**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.

**Interprogram Balances**

Receivables and payables resulting from short-term interprogram loans are classified as “Inter-program Due from/to” in respective program financial statements. These amounts are eliminated in the Authority’s statement of net assets in the basic financial statements.

**Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. The Authority has only cash deposits, and no investments at June 30, 2008. Interest income earned in fiscal year 2008 totaled $299,394.

**Capital Assets**

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority capitalizes all assets with a cost of $1,000 or more. See Note 4 for useful lives for depreciation purposes.

**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.

K. **Compensated Absences**

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

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; and **(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. Information regarding compensated absences is detailed in Note 9.

**Budgetary Accounting**
The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget 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***
At fiscal year end, the carrying amount of the Authority's deposits was $7,883,851 and the bank balance was $8,534,576. Based on criteria described in GASB Statement No.40, *Deposits and Investments Risk Disclosures*, as of June 30, 2008, $200,000 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority or by pooled collateral. Included in the carrying value of the Authority's deposits is $500 in petty cash.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

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

***Investments***

The Authority has a formal investment policy; however, the Authority had no investments at June 30, 2008.

*Interest Rate Risk*

The Authority's investment policy limits investments to 5 years but does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Authority staggers maturity dates of investments to avoid losses from rising interest rates.

*Credit Risk*

Any deposits of the Authority exceeding the $100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority or by pooled collateral as provided by the Ohio Revised Code.

*Concentration of Credit Risk*

The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, as was mentioned in the preceding, all deposits exceeding the $100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority or by pooled collateral as permitted by the Ohio Revised Code.

Cash and cash equivalents included in the Authority's cash position at June 30, 2008, are as follows:

| | **Cash and Cash Equivalents** | **Investments** |
|---|---|---|
| Cash – Unrestricted | $4,544,374 | $0 |
| Cash – Restricted | $3,339,477 | $0 |
| Per GASB Statement No.3 | $7,883,851 | $0 |

## NOTE 3: **INSURANCE COVERAGE**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees.

To protect against risks to which the Authority is exposed, the Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the Ohio Housing Authority Property Casualty, Inc. (OHAPCI). OHAPCI is an insurance risk pool comprised of three Ohio housing authorities, of which the Authority is one. Deductibles and coverage limits are summarized below:

| | Coverage | Deductible Limits |
|---|---|---|
| Property (per occurrence) | $ 2,500 | $ 250,000,000 |
| General Liability | $ 0 | $ 5,000,000 |
| Automobile Physical Damage/Liability | $500/$500 | ACV/$5,000,000 |
| Public Officials | $ 0 | $ 5,000,000 |

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority provides employee group health care benefits via a partially self-funded plan administered by Enterprise Group Planning, Inc. Excess loss coverage for the plan is provided by QBE Insurance Corporation. There was no significant reduction in coverage and settled claims have not exceeded the Authority's insurance in any of the past three years.

## NOTE 4: **CAPITAL ASSETS**

The following is a summary of the Authority's capital assets:

| | |
|---|---|
| **Capital Assets Not Depreciated** | |
| Land | $3,312,699 |
| Construction in Progress | 15,328,418 |
| Total Capital Assets Not Depreciated | 18,641,117 |
| **Capital Assets Being Depreciated** | |
| Building and Building Improvements | 127,364,647 |
| Furniture and Equipment | 1,499,898 |
| Total Capital Assets Being Depreciated | 128,864,545 |
| Less: Accumulated Depreciation | (89,579,376) |
| Total Capital Assets - Net | $57,926,286 |

NOTE 4: **CAPITAL ASSETS** (Continued)

The Authority capitalizes all assets with a cost of $1,000 or more. The Authority uses the straight line method of depreciation. The following is a list of useful lives for depreciation purposes:

| | |
|---|---|
| Buildings | 15 to 40 years |
| Equipment | 7 years |
| Computer Equipment | 3 years |
| Vehicles | 5 years |
| Maintenance Equipment | 7 years |

The following is a summary of changes in capital assets:

| | Balance 06/30/07 | Addition | Deletion | Balance 06/30/08 |
|---|---|---|---|---|
| **Capital Assets Not Depreciated** | | | | |
| Land | $3,343,509 | $0 | ($30,810) | $3,312,699 |
| Construction in Progress | 7,974,745 | 7,353,673 | 0 | 15,328,418 |
| Total Capital Assets Not Depreciated | 11,318,254 | 7,353,673 | (30,810) | 18,641,117 |
| **Capital Assets Being Depreciated** | | | | |
| Building and Building Improvements | 126,627,711 | 857,888 | (120,952) | 127,364,647 |
| Furniture and Equipment | 1,462,963 | 63,144 | (26,209) | 1,499,898 |
| Total Capital Assets Being Depreciated | 128,090,674 | 921,032 | (147,161) | 128,864,545 |
| Less: Accumulated Depreciation: | | | | |
| Building and Building Improvements | (83,988,052) | (4,289,507) | 10,835 | (88,266,724) |
| Furniture and Equipment | (1,222,780) | (116,081) | 26,209 | (1,312,652) |
| Total Accumulated Depreciated | (85,210,832) | (4,405,588) | 37,044 | (89,579,376) |
| Total Capital Assets Being Depreciated | 42,879,842 | (3,484,556) | (110,117) | 39,285,169 |
| Total Capital Assets - Net | $54,198,096 | $3,869,117 | (140,927) | $57,926,285 |

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

**Ohio 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.

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 10 percent (increase from 9.5 percent) of their annual covered salary to fund pension obligations. The 2008 employer pension contribution rate for Authority was 14 percent (increase from 13.85 percent). Contributions are authorized by state statue. The contribution rates are determined actuarially. Contributions to PERS for the years ended June 30, 2008, 2007, and 2006 $493,070, $310,039 and $347,373 respectively. Ninety-two percent has been contributed for 2008. All required contributions for the two previous years have been paid.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. 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 2008 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2007 was 5.0 percent of covered payroll, which amounted to $177,034. 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, 2007. 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 2007 was 6.5 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 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 363,503. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17 billion, respectively.

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006, January 1, 2007 and January 1, 2008 will allow additional funds to be allocated to the health care plan.

NOTE 7: **LONG-TERM DEBT**

A summary of the Authority's debt is as follows:

| | Balance 06/30/07 | Additions | Deletions | Balance 06/30/08 | Due One Year |
|---|---|---|---|---|---|
| **Long-Term Debt** | | | | | |
| *Primary Government* | | | | | |
| Citicorp Note, 10/30/99,4.85%,$2,052,658 | $545,129 | $0 | $235,060 | $310,069 | $246,546 |
| Old National Leasing Note, 12/01/04,5.16%, $2,722,385 | 2,250,905 | 0 | 190,277 | 2,060,628 | 204,002 |
| First National Bank,11/21/78, 7.5%,$1,191,617 | 127,070 | 0 | 93,061 | 34,009 | 34,009 |
| Total Long-Term Debt Obligation | $2,923,104 | $ 0 | $518,398 | $2,404,706 | $484,557 |

Long-term debt for Low-Rent Public Housing includes a 10-year 1999 note payable to Citicorp. The proceeds of $2,052,658 were used to improve the energy efficiency of the Authority's buildings. This note is secured by the equipment purchased and bears interest at 4.85 percent. The note and settlement agreement matures as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2008-2009 | $246,546 | $10,605 | $257,151 |
| 2009-2010 | 63,523 | 647 | 64,170 |
| Total | $310,069 | $11,252 | $321,321 |

NOTE 7: **LONG-TERM DEBT** (Continued)

Long-term debt for the Low Rent Public Housing program also includes a 12-year 2005 note payable to Old National Leasing. The proceeds of $2,722,385 were used to improve the energy efficiency of the Authority's properties. The note is secured by the equipment purchased and bears a rate of 5.16 percent. The note and settlement agreement matures as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2008-2009 | $204,002 | $100,519 | $304,521 |
| 2009-2010 | 213,816 | 90,705 | 304,521 |
| 2010-2011 | 225,114 | 79,407 | 304,521 |
| 2011-2012 | 237,008 | 67,513 | 304,521 |
| 2012-2013 | 248,376 | 56,145 | 304,521 |
| 2013-2016 | 932,312 | 84,456 | 1,016,768 |
| Total | $2,060,628 | $478,745 | $2,539,373 |

Long-term debt for the Section 8 New Construction (Lowellville) consists of a 30 year mortgage entered into in 1978 for $1,191,617 which bears interest at 7.48 percent and is secured by the building. The mortgage matures as follows:

| | Principal | Interest | Total |
|---|---|---|---|
| 2008-2009 | $34,009 | $473 | $34,482 |

NOTE 8: **COMPENSATED ABSENCES**

Full time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation days exceeding those earned in the current year may not be carried over into the next calendar year. Generally, upon termination after one year of service, employees are entitled to be paid all accrued vacation. The following schedule details earned annual leave based on length of service:

| Management | |
|---|---|
| 1-5 years | 2 weeks |
| 6-10 years | 3 weeks |
| 11-15 years | 4 weeks |
| 16-20 years | 5 weeks |
| 21 years and over | 6 weeks |

| Maintenance and Administration | |
|---|---|
| 1-5 years | 2 weeks |
| 6-10 years | 3 weeks |
| 11-15 years | 4 weeks |
| 16-20 years | 5 weeks |
| 21 years and over | 6 weeks |

NOTE 8: **COMPENSATED ABSENCES** (Continued)

Sick leave accrued to full time, permanent employees to specified maximums. Sick leave may be cumulative without limit. However, management employees with 7 years or more of service, upon termination of employment, may receive 100 percent of their accumulated sick leave, up to a maximum of 120 days. Maintenance and administrative employees with 7 or more years of service, upon termination of employment, may receive 50 percent of their accumulated sick leave, up to a maximum of 60 days.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service requirement is accrued to the extent that it is considered to be probably that the conditions for compensation will be met in the future. The estimated liability for compensated absences at June 30, 2008, based on the vesting method is detailed as follows:

| | **Current Accrued Compensated Absence** | **Long-Term Accrued Compensated Absence** | **Total Accrued Compensated Absence** |
|---|---|---|---|
| Public Housing | $180,836 | $224,044 | $404,880 |
| Section 8 - Rental Voucher | 21,180 | 8,140 | 29,320 |
| Total | $202,016 | $232,184 | $434,200 |

The following is a summary of changes in compensated absence liability:

| | **Balance 06/30/07** | **Increase** | **Decrease** | **Balance 06/30/08** |
|---|---|---|---|---|
| Total Compensated Absence Liability | $415,522 | $18,678 | $0 | $434,200 |

## NOTE 9: **INTERPROGRAM RECEIVABLES AND PAYABLES**

The following balances at June 30, 2008 represent individual fund interprogram receivables and payables:

| | **Interfund Receivables** | **Interfund Payables** |
|---|---|---|
| Total AMP’s | $ 112,519 | $ 191,881 |
| Resident Opportunity | 0 | 15,994 |
| Local Grants | 5,407 | 0 |
| Section 8 N/C S/R | 0 | 37,854 |
| Hope VI | 1,166 | 468,870 |
| Central Office | 949,214 | 65,803 |
| Section 8 Voucher | 0 | 278,595 |
| Section 8 Moderate Rehab | 103,955 | 0 |
| YouthBuild - DOL | 0 | 11,712 |
| YouthBuild - HUD | 0 | 101,552 |
| Total | **$ 1,172,261** | **$1,172,261** |

These interprogram receivables and payables have been eliminated in the statement of net assets.

## NOTE 10: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority’s management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority. The Authority has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenses disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

## NOTE 12: **CONSTRUCTION COMMITMENTS**

The Authority had the following material capital or construction commitment at June 30, 2008:

| | Contract Amount | Balance Outstanding June 30, 2008 |
|---|---|---|
| Development of Hope VI Infrastructure | $ 867,116 | $ 133,453 |
| Development of Recreation Center | 2,672,750 | 686,432 |
| Development of Phase II Rental Properties | 5,930,155 | 2,878,870 |
| Development of RHF Homes | 5,059,287 | 4,651,729 |

Youngstown Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended June 30, 2008

| **FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES** | **CFDA NUMBER** | **EXPENDITURES** |
|---|---|---|
| **U.S. Department of Housing and Urban Development** | | |
| Direct Program | | |
| Section 8 Project Base Cluster: | | |
| Section 8 New Construction Program | 14.182 | $269,976 |
| Section 8 Moderate Rehabilitation | 14.856 | 195,381 |
| Total Section 8 Project Base Cluster Programs | | 465,357 |
| Opportunity for Youth – Youthbuild Program | 14.243 | 362,550 |
| Low Rent Public Housing | 14.850 | 7,221,796 |
| Demolition and Revitalization of Severely Distressed PH | 14.866 | 5,052,061 |
| Resident Opportunity and Supportive Services | 14.870 | 246,987 |
| Housing Choice Voucher Program | 14.871 | 9,382,073 |
| Public Housing Capital Fund Program | 14.872 | 4,310,062 |
| **Total U.S. Department of Housing and Urban Development** | | **27,040,886** |
| **U.S. Department of Labor** | | |
| Direct Program | | |
| Youthbuild | 17.274 | 104,175 |
| **Total U.S. Department of Labor** | | **104,175** |
| **Total Expenditure of Federal Award** | | **$27,145,061** |

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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
Youngstown Metropolitan Housing
Authority

I have audited the financial statements of the business-type activities of the Youngstown Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Youngstown Metropolitan Housing Authority basic financial statements and have issued my report thereon dated February 26, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Youngstown 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 have noted certain matters that I have reported to management of Youngstown Metropolitan Housing Authority in a separate letter dated February 26, 2009.

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.

February 26, 2009

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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
Youngstown Metropolitan Housing
Authority

**Compliance**

I have audited the compliance of the Youngstown 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 June 30, 2008. Youngstown 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 Youngstown Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Youngstown 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 Youngstown 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 Youngstown Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Youngstown 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 June 30, 2008. However, the result of my audit procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item YMHA-2008-1.

**Internal Control Over Compliance**

The management of Youngstown 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 Youngstown 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.

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

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

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

Salvatore Consiglio, CPA, Inc.

February 26, 2009

Youngstown Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2008

## 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)? | No |
| Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| Were there any materials 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? | Yes |
| Major Programs (list): | CFDA # 14.850 Low Rent Public Housing Program |
| Dollar Threshold: Type A/B Programs | Type A: > $814,352<br>Type B: All Others |
| Low Risk Auditee? | Yes |

## 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

There are no Findings or questioned costs for the year ended June 30, 2008.

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| FINDING NUMBER | YMHA-2008-1 |
|---|---|

**Supporting Documentation**

**U.S. Department of HUD**
**Low Rent Public Housing (CFDA # 14.850)**

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

Audit procedures over 66 Low Rent Public Housing Program tenant files revealed the following errors:

- 2 files did not properly document income verification.
- 5 files did not properly document that the tenant was given a choice of paying rent based on income or flat rent.
- 2 files did not properly document the tenant declaration of citizenship.
- 7 files annual recertification was not performed within the required 12 months.
- 10 files did not contain the form HUD-50058 for the period audited.
- 1 file could not be located.

The housing authority did not comply with the above regulation. This can result in disallowed costs and loss of rental income because the rent amount the tenant should pay was not properly calculated.

Recommendation:
The authority must implement a proper quality assurance review of the files. Staff needs to be trained to ascertain that annual recertification is properly performed and rent is correctly calculated.

Client Response:
YMHA acknowledges the amount of errors associated with the sixty six (66) Low Rent Public Housing Program that were reviewed. Over the course of the next twelve months, YMHA will be making a significant investment in staff training and development. This should ensure Occupancy Staff has an understanding of the importance of file maintenance, ensuring the staff has an understanding of deadlines related to annual recertification’s, as well as providing refresher courses on the our agency’s ACOP and HUD rules and regulations.

Anticipated Completion Date: Ongoing
Responsible Contact Person: Director of Asset Management

Youngstown Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2008

The audit report for the fiscal year ending June 30, 2007 contained no audit findings.

**YOUNGSTOWN METROPOLITAN HOUSING AUTHORITY**

**MAHONING 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**
**MAY 7, 2009**