

**TRUMBULL METROPOLITAN
HOUSING AUTHORITY**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2012**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Trumbull Metropolitan Housing Authority
4076 Youngstown Road SE
Warren, Ohio 44484

We have reviewed the *Independent Auditor's Report* of the Trumbull Metropolitan Housing Authority, Trumbull County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 Trumbull Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 30, 2013

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TRUMBULL METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Trumbull Metropolitan Housing Authority
Warren, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Trumbull Metropolitan Housing Authority, Ohio (the Authority), as of June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Trumbull Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Trumbull Metropolitan Housing Authority, Ohio, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2012, on our consideration of Trumbull Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trumbull Metropolitan Housing Authority, Ohio's basic financial statements as a whole. The accompanying Schedule of Modernization Costs Completed is presented for additional analysis and is not a required part of the basic financial statements of the Trumbull Metropolitan Housing Authority. 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 Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized by the U.S. Department of Housing and Urban Development (HUD) for additional analysis, although not required to be part of the basic financial statements. The FDS are not available as HUD has not completed its review of the date of this report.



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 15, 2012

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended June 30, 2012
(Unaudited)

The Trumbull Metropolitan Housing Authority's ("the Authority" or Primary Government) management's discussion and analysis is designed to assist the reader on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual account issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the fiscal year ended June 30, 2012 activities, resulting changes, and currently known facts. Please read it in conjunction with the Authority's financial statements (beginning on page 12). In accordance with GASB Statement No. 34, paragraph 10, the financial information and discussion presented below focuses on the primary government. Due to the significance of the component units when compared to the primary government, the financial information is provided for the component units in some instances to provide for a more complete and meaningful discussion of financial results. Regardless, discussion in the MD&A attempts to distinguish between information pertaining to the primary government and that of its component units.

FINANCIAL HIGHLIGHTS

- The primary government's net assets increased by \$2.97 million (or 12.4 percent) during 2012. Net assets were \$23.84 million and \$26.81 million for 2011 and 2012, respectively. A \$4.46 million net non-operating revenue offset a \$.40 million loss from disposition of 132 public housing units demolished from Fairview Gardens' development, completed in January 2012; 65 units remain available. Capital grants were \$4.83 million (or 99 percent) of the non-operating revenue. There was a \$.91 million of net income from operations without consideration of depreciation. Depreciation amounted to \$2.41 million of operating expenses. Since the Authority engages only in business-type activities, the changes are all in category of business-type net assets.
- Revenue for the primary government decreased by \$.52 million (or 3.01 percent) during 2012, and was \$17.31 million and \$16.78 million for 2011 and 2012, respectively. Revenue from capital grants increased \$1.04 million or (27.44 percent), while operating grants decreased by \$.47 million (or 4.41 percent). Other income, interest income, and tenant rental revenue decreased by \$1.09 million (or 38.25 percent). The decrease in revenue includes the loss recorded from the disposition of 132 Fairview Gardens units, representing approximately \$.40 million (or 2.33 percent) of the decrease to Total Non-Operating Revenue.
- Total expenses for the primary government decreased by \$.68 million (or 4.68 percent). Of this amount, administrative expenses, utilities, and general and protective services, and other operating expenses decreased by \$1.08 million. On the other hand, maintenance, tenant services, and Housing Assistance Payments, and depreciation increased by \$.40 million. Total expenses were \$14.50 million and \$13.82 million for 2011 and 2012, respectively.
- The Authority's component units consist of two non-profit organizations, the Warren Housing Development Corporation and the Western Reserve Housing Development Corporation. The notes to the financial statements provide further explanation of the component units.

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(Unaudited)

- Net assets for the component units were \$14.27 million for 2012, increasing from \$13.45 million for 2011. These net assets amount to approximately 34.41 percent of the combined net assets for the primary government and component units.
- Revenue for the component units decreased by \$1.12 million (or 25.34 percent) during 2012, and was \$4.42 million and \$3.30 million for 2011 and 2012, respectively. Revenue from investments increased \$.003 million, while revenue from various program grants and other income decreased by \$1.12 million.
- Total expenses for the component units decreased by \$1.14 million (or 30.63 percent) and were \$3.71 million and \$2.58 million for 2011 and 2012, respectively.

USING THIS ANNUAL REPORT

The report includes three major sections, the Management's Discussion and Analysis (MD&A), Basic Financial Statements, and Other Required Supplementary Information.

MD & A
Management Discussion and Analysis

Basic Financial Statements

Authority-Wide Financial Statements
pages 12-14

Notes to Financial Statements

**Other Required Supplementary
Information**

Required Supplementary Information

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended June 30, 2012
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented (pages 12-14) are those of the Authority as a whole (Authority-wide) and the component units, discretely reported. The financial statements are further detailed by major account. This perspective (Authority-wide, major account, and component units) allows the user to address relevant questions, broadens a basis for comparison (year to year or Authority to Authority) and enhances the Authority's accountability.

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

The focus of the Statement of Net Assets is the Unrestricted Net Assets. Unrestricted Net Assets represents the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of net assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a **Statement of Revenues, Expenses, and Changes in Net Assets** (similar to an income statement). This statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as capital grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to net income or loss.

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
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(Unaudited)

Financial Statements by Major Fund

In general, the Authority's financial statements consist exclusively of an enterprise fund. An enterprise fund utilizes the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by private sector accounting.

Many of the funds maintained by the Authority are required by the United States Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

THE AUTHORITY'S PROGRAMS

Business Type Programs

Conventional Public Housing - 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 Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the PHA to provide the housing at a rent that is based on 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contribution Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income. The Authority receives administrative fees from HUD to administer the program.

Other Programs - In addition to the programs above, the Authority also maintains the following programs:

Housing Choice Voucher Family Self-Sufficiency Program Coordinator Grant - a grant program funded by the Department of Housing and Urban Development that promotes the development of local strategies to coordinate the use of assistance under the Housing Choice Voucher Program with public and private resources to enable participating families to achieve economic independence and self-sufficiency.

ROSS - a grant program funded by the Department of Housing and Urban Development to assist residents in the process of moving from welfare to work.

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ROSS Service Coordinator Grant - a grant funded by the Department of Housing and Urban Development to provide elderly residents with a support system and connect them with available community resources.

Component Unit Activities - represents resources developed from a variety of activities, including, but not limited, to the following programs:

Elderly Service Coordinator Grant- a grant funded by the Department of Housing and Urban Development to provide elderly residents with a support system and connect them with available community resources.

Youth Build Program Grants- grants funded by the Department of Labor to provide unemployed, at-risk youth with construction skills, a high school education, and basic leadership training while rehabilitating or constructing new housing for people in their communities.

AUTHORITY-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in business-type activities.

Table 1 - Statement of Net Assets - Primary Government

	2012 (in Millions) of Dollars	2011 (in Millions) of Dollars
<u>Assets</u>		
Current and Other Assets	\$ 5.39	\$ 5.07
Capital Assets	<u>22.81</u>	<u>19.86</u>
Total Assets	<u>28.20</u>	<u>24.93</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Current Liabilities	.72	.55
Long-Term Liabilities	<u>.67</u>	<u>.54</u>
Total Liabilities	<u>1.39</u>	<u>1.09</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	22.63	19.66
Restricted	.60	.37
Unrestricted	<u>3.58</u>	<u>3.81</u>
Total Net Assets	<u>26.81</u>	<u>23.84</u>
Total Liabilities and Net Assets	<u>\$ 28.20</u>	<u>\$ 24.93</u>

For more detailed information see page 12 for the Statement of Net Assets.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
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(Unaudited)

Major Factors Affecting The Statement of Net Assets

During 2012, total assets increased by \$3.27 million. An increase of \$.32 million in current assets resulted mostly from an increase in Housing Assistance Program reserves. An increase of \$2.94 million in capital assets is due to a higher volume of capitalized expenditures than capital expenses (via depreciation) in 2012. For more detail, see "Capital Assets and Debt Administration" on page 10. Total liabilities increased by almost \$.30 million due mostly to an increase in trade payables and payroll expenditures due but not yet paid in 2012 as compared to 2011. For more detail, see "Debt Outstanding" on page 11. These changes resulted in a decrease of \$.23 million in unrestricted net assets.

During 2012, total assets for the component units increased by \$.67 million. Unrestricted net assets increased by \$1.03 million. These changes are mostly due to an increase of cash netted from operations.

Table 2 presents details on the change in Unrestricted Net Assets.

Table 2 - Change of Unrestricted Net Assets - Primary Government

	Millions of Dollars
Unrestricted Net Assets 06/30/11	\$ 3.81
Results of Operations	(1.49)
Adjustments:	
Depreciation (1)	2.41
Adjusted Results from Operations	4.73
Net Change in Restricted Assets	.23
Net Change in Capital Assets of Debt Payments (2)	(1.38)
Unrestricted Net Assets 06/30/12	\$ 3.58

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net assets.

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against results of operations, and therefore must be deducted.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net assets provides a clearer change in financial well-being.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended June 30, 2012
(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Assets

The following table compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged in only business-type activities.

Table 3-Statement of Revenues, Expenses and Changes in Net Assets-Primary Government

	2012 (Millions of Dollars)	2011 (Millions of Dollars)
<u>Revenues</u>		
Tenant Revenue - Rents and Other	\$ 1.47	\$ 1.51
Operating Subsidies and Grants	10.20	10.67
Capital Grants	4.83	3.79
Investment Income	0.03	0.04
Other Revenues, Net Gain or Loss on Disposition of Assets	0.26	1.30
Total Revenues	<u>16.79</u>	<u>17.31</u>
<u>Expenses</u>		
Administrative	2.76	2.79
Utilities	0.88	1.02
Maintenance	1.85	1.79
General	1.41	2.23
Housing Assistance Payments	4.51	4.39
Depreciation	2.41	2.28
Total Expenses	<u>13.82</u>	<u>14.50</u>
Net Increase (Decrease)	<u>\$ 2.97</u>	<u>\$ 2.81</u>

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

Tenant rent revenue decreased slightly during 2012 in comparison to 2011 due, primarily, to higher utility cost allowances and lower tenant incomes. Operating subsidies were funded by HUD at a lower percentage of the eligible amount in calendar year 2012 compared to calendar year 2011. Funding for the Housing Choice Voucher Program increased from fiscal year 2011 to 2012 by approximately \$.38 million. Housing Assistance Payment (HAP) reserves increased in 2012 by \$.23 million. Capital grants (expenditures) increased from 2011 to 2012 by \$1.04 million, mostly due to the public housing capital improvements being at or near completion during 2012. Managing invested reserves resulted in maximized earnings.

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Total administrative expenses decreased only slightly from 2011 to 2012. Utility expenses decreased by 13.73 percent in 2012 due in part to lower than traditional consumption and from the Authority's negotiated rates for natural gas. General expenses decreased by 36.75 percent, due in part to demolition costs. Maintenance expenses increased slightly by 3.3 percent related to preventive maintenance. Lease up rates and per unit costs for the Authority's Housing Choice Voucher Program were higher in 2012 compared to 2011 resulting in an increase of \$.12 million in Housing Assistance Payments from 2011 to 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$22.81 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$2.95 million or 14.85 percent from the end of last year.

As of year-end, the component units had \$8.9 million invested in a variety of capital assets. When compared to last year, the net book value of capital assets associated with their multifamily developments, the Youth Build Program rehabilitation projects and furniture and equipment decreased by \$.42 million. Capital Expenditures amounted to an increase of \$.11 million while depreciation amounted to \$.47 million.

Table 4 - Capital Assets at Year-End (Net of Depreciation) - Primary Government

	<u>Business-Type Activities</u>	
	2012	2011
	(Millions of Dollars)	(Millions of Dollars)
Land	\$.91	\$.91
Buildings	68.03	66.71
Equipment - Administrative and Dwelling	1.83	1.79
Accumulated Depreciation	(50.27)	(54.80)
Construction in Progress	2.31	5.25
Total	\$ 22.81	\$ 19.86

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended June 30, 2012
(Unaudited)

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 24 of the notes.

Table 5 - Change in Capital Assets (In Millions) - Primary Government

	Business-Type Activities
Beginning Balance	\$ 19.86
Additions	5.75
Retirements	(0.40)
Depreciation, net of Deleted Capital Assets	(2.40)
Ending Balance	\$ 22.81

DEBT OUTSTANDING

The Authority maintained debt (i.e. deferred loan) in 2012 equal to \$.18 million related to five properties (six dwelling units) purchased with Neighborhood Stabilization Program grant funds. It had no debt related to its public housing developments outstanding at the end of either 2012 or 2011. The component units, however, had debt equal to \$2.84 million at the end of 2012, compared to \$3.06 at the end of 2011.

A summary of outstanding debt is presented in detail on pages 28 through 31 of the notes.

Table 6 - Outstanding Debt, at Year-End (In Millions) - Primary Government

	Total 2012	Total 2011
Business-Type		
Primary Government	\$.18	\$.20
Total	\$.18	\$.20

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

Questions concerning any information provided in this report or requests for additional information should be addressed to Donald W. Emerson, Jr., Executive Director, Trumbull Metropolitan Housing Authority, 4076 Youngstown Road SE, Warren, Ohio 44484 or call 330-369-1533.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash - Unrestricted	\$ 3,996,134	\$ 8,364,196
Cash - Restricted	759,671	96,595
Accounts Receivable - Net of Allowance	424,321	78,858
Inventories - Net of Allowance	100,950	24,773
Prepaid Expenses	<u>111,930</u>	<u>67,635</u>
Total Current Assets	<u>5,393,006</u>	<u>8,632,057</u>
<u>Non-Current Assets</u>		
Capital Assets, Not Depreciated	3,220,238	1,174,194
Capital Assets - Net of Accumulated Depreciation	<u>19,588,266</u>	<u>7,727,042</u>
Total Non-Current Assets	<u>22,808,504</u>	<u>8,901,236</u>
TOTAL ASSETS	<u>\$ 28,201,510</u>	<u>\$ 17,533,293</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 301,926	\$ 141,895
Current Portion of Long-Term Debt	13,567	220,173
Accrued Wages and Payroll Taxes	105,907	8,783
Tenant Security Deposits	138,324	93,378
Deferred Credits and Other Liabilities	<u>164,761</u>	<u>99,248</u>
Total Current Liabilities	<u>724,485</u>	<u>563,477</u>
Non-Current Liabilities:		
Long-Term Debt - Net of Current Portion	161,728	2,624,285
Other Long-Term Liabilities and Compensated Absences	<u>505,744</u>	<u>72,456</u>
Total Non-Current Liabilities	<u>667,472</u>	<u>2,696,741</u>
Total Liabilities	<u>1,391,957</u>	<u>3,260,218</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	22,633,209	6,056,778
Restricted Net Assets	599,290	0
Unrestricted Net Assets	<u>3,577,054</u>	<u>8,216,297</u>
Total Net Assets	<u>26,809,553</u>	<u>14,273,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,201,510</u>	<u>\$ 17,533,293</u>

See accompanying notes to the basic financial statements.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Primary Government</u>	<u>Component Units</u>
<u>Operating Revenues</u>		
Program Operating Grants/Subsidies	\$10,196,815	\$ 1,873,909
Tenant Revenues	1,473,591	1,044,566
Other Income	<u>654,274</u>	<u>322,644</u>
Total Operating Revenues	<u>12,324,680</u>	<u>3,241,119</u>
<u>Operating Expenses</u>		
Administrative	2,760,903	649,956
Utilities	877,920	370,578
Ordinary Maintenance and Operations	1,850,468	548,547
Tenant Services	141,581	32,286
General and Protective Services	504,420	328,142
Housing Assistance Payments	4,510,483	0
Other Operating	764,366	54,683
Depreciation	<u>2,406,270</u>	<u>474,255</u>
Total Operating Expenses	<u>13,816,411</u>	<u>2,458,447</u>
Operating Income (Loss)	<u>(1,491,731)</u>	<u>782,672</u>
<u>Non-Operating Revenue (Expenses)</u>		
Capital Grants	4,829,911	0
Interest Income	32,120	61,965
Interest Expense	0	(117,309)
Gain (Loss) on Disposition of Assets	<u>(403,229)</u>	<u>43</u>
Total Non-Operating Revenue (Expenses)	<u>4,458,802</u>	<u>(55,301)</u>
Excess (Deficiency) of Revenue Over (Under) Expenses	2,967,071	727,371
Beginning Net Assets	23,842,482	13,452,304
Special Items	<u>0</u>	<u>93,400</u>
ENDING NET ASSETS	<u><u>\$26,809,553</u></u>	<u><u>\$14,273,075</u></u>

See accompanying notes to the basic financial statements.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Primary Government</u>	<u>Component Units</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from HUD and Other Governments	\$10,054,299	\$ 1,873,909
Cash Received from Tenants	1,476,316	1,035,204
Cash Received from Other Sources	564,636	324,967
Cash Payments for Housing Assistance Payments	(4,510,483)	0
Cash Payments for Administrative	(2,625,800)	(648,258)
Cash Payments for Other Operating Expenses	<u>(3,924,777)</u>	<u>(1,281,983)</u>
Net Cash (Used) by Operating Activities	<u>1,034,191</u>	<u>1,303,839</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Debt Payments	(28,206)	(328,233)
Acquisition of Capital and Other Assets	(5,753,825)	(56,642)
Proceeds from Capital Assets Sales	0	1,041
Capital Grants Received/Special Items	<u>4,829,911</u>	<u>93,400</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(952,120)</u>	<u>(290,434)</u>
<u>Cash Flows from Investing Activities</u>		
Investment Proceeds	0	3,000,000
Investment Income	<u>32,120</u>	<u>61,965</u>
Net Cash Provided by Investing Activities	<u>32,120</u>	<u>3,061,965</u>
Net Increase (Decrease) in Cash and Cash Equivalents	114,191	4,075,370
Cash and Cash Equivalents, Beginning	<u>4,641,614</u>	<u>4,385,421</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,755,805</u>	<u>\$ 8,460,791</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
Net Operating Income (Loss)	\$(1,491,731)	\$ 782,672
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	2,406,270	474,255
(Increase) Decrease in:		
Receivables - Net of Allowance	(221,257)	(5,978)
Inventory	17,284	(652)
Prepaid Expenses and Other Assets	(2,344)	(2,890)
Increase (Decrease) in:		
Accounts Payable	178,845	60,548
Non Current Liabilities	135,103	1,698
Accrued Wages/Payroll Taxes	20,193	(4,753)
Tenants' Security Deposits	13,076	2,323
Deferred Credits/Other Liabilities	<u>(21,248)</u>	<u>(3,384)</u>
Net Cash Used by Operating Activities	<u>\$ 1,034,191</u>	<u>\$ 1,303,839</u>

See accompanying notes to the basic financial statements.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

A. Description of the Entity and Programs

The Trumbull 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 Housing Choice Voucher program provided by HUD. This program helps assist families in the payment of rent. Under this program, the Authority determines the amount of subsidy a family will receive using HUD guidelines; however, there is a limit to the amount charged to the family. 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.

B. Summary of Significant Accounting Policies

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

C. Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. Based on application of the criteria set forth in GASB Statements No. 14 and No. 39, the Authority annually evaluates potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the Authority, and whether exclusion would cause the basic financial statements to be misleading or incomplete.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

C. **Reporting Entity** (Continued)

The primary government consists of all funds, agencies, departments and offices that are not legally separate from the Authority. The preceding financial statements include all funds and account groups of the Authority (the primary government) and the Authority's component units. The following organizations are described due to their relationship to the Authority.

Discretely Presented Component Units

The component units column in the combined financial statements identifies the financial data of the Authority's two component units: the Warren Housing Development Corporation, and the Western Reserve Housing Development Corporation. They are reported separately to emphasize that they are legally separate entities and provide services to clients of the Authority and others. The Authority serves as the management agent for each of the Housing Development Corporations.

The Warren Housing Development Corporation (the Corporation) is a legally separate, non-profit organization served by a Board comprised of local officials and community representatives. The Corporation was formed in 1977 to carry out charitable purposes including promoting and advancing decent, safe, and sanitary housing for persons of low income, particularly the elderly and infirm, and to promote the common good and general welfare of the City of Warren, Ohio, its inhabitants and surrounding territories and their inhabitants. Separately issued audited financial statements for the Corporation can be obtained from the Authority.

The Western Reserve Housing Development Corporation (the Corporation) is a legally separate, non-profit organization served by a Board comprised of local officials and community representatives. The Corporation was formed in 2001 for the promotion and construction of facilities for public housing or other charitable purposes. Separately issued audited financial statements for the Corporation can be obtained from the Authority.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

D. Fund Accounting

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

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

E. 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.

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TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

F. 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. The Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

G. Investments

Investments of the primary government are restricted by the provisions of HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2012 totaled \$32,120 for the primary government and \$61,965 for the component units.

H. 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.

I. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments, including certificates of deposits with a maturity date of twelve months or less.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

J. **Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Compensated absences 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.

Accordingly, vacation leave and other compensated absences with similar characteristics are accrued as a liability based on the leave accumulated at the balance sheet date. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the leave accumulated at the balance sheet date but adjusted based on trended histories of forfeited hours versus hours for which previously departed employees received payments. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

K. **Budgetary Accounting**

The Authority annually prepares its budget as prescribed by HUD. This budget is then adopted by the Board of the Authority.

L. **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.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

A. **Primary Government**

Deposits

At fiscal year end, the carrying amount of the primary government's deposits was \$4,755,805 and the bank balance was \$5,014,556. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2012, \$1,389,301 of the primary government's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority or secured by UCC filings. Included in the carrying value of the Authority's deposits is \$1,200 in petty cash.

Custodial credit risk is the risk that, in the event of bank failure, the primary government'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.

Investments

The Authority has a formal investment policy; although, the Authority did not have investments at June 30, 2012.

Cash and cash equivalents included in the primary government's cash position at June 30, 2012, are as follows:

	Cash and Cash <u>Equivalents*</u>
Cash - Unrestricted	\$ 3,996,134
Cash - Restricted	<u>759,671</u>
Per GASB Statement No. 3 & No. 40	<u>\$ 4,755,805</u>

*Includes Petty Cash

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

B. Component Units

Deposits

At fiscal year end, the carrying amount of the component units' deposits was \$8,460,791, and the bank balance was \$8,544,607 (including \$3,000,000 in certificate of deposits). Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2012, \$1,005,400 of the component units' bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Housing Development Corporation ("Corporation") or the Authority. Included in the carrying value of the component units deposits is \$200 in petty cash.

Custodial credit risk is the risk that, in the event of bank failure, deposits may not be returned. Deposits are placed with major local banks as approved by the Corporation'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 Corporation or the Authority.

Investments

The Authority has a formal investment policy it relies on to manage the investments of the component units; however, the component units at June 30, 2012, had no investments.

Cash and cash equivalents included in the component unit's cash position at June 30, 2012, are as follows:

	Cash and Cash <u>Equivalents*</u>
Cash - Unrestricted	\$ 8,364,196
Cash - Restricted	<u>96,595</u>
Per GASB Statement No. 3 & No. 40	<u>\$ 8,460,791</u>

* Includes Petty Cash

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of \$759,671 on the financial statements for the primary government represents the following:

Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 599,290
Tenant Security Deposits	138,324
Family Self-Sufficiency Escrow Balance	<u>22,057</u>
Total Restricted Cash	<u>\$ 759,671</u>

The restricted cash balance of \$96,595 on the financial statements for the component units represents the following:

Tenant Security Deposits	\$ 96,595
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NOTE 4: **NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 5: **INSURANCE COVERAGE**

The Authority is covered for property damage, general liability, auto damage and liability, and public officials' liability through various insurers.

Additionally, workers' compensation is maintained through the State of Ohio, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan for employee health care benefits.

There was no significant reduction in coverages and no claims exceeded insurance coverage during the past three years.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 6: CAPITAL ASSETS

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

	Primary Government	Component Units
Capital Assets Not Depreciated		
Land	\$ 909,700	\$ 1,174,194
Construction in Progress	2,310,538	0
Total Capital Assets Not Depreciated	<u>3,220,238</u>	<u>1,174,194</u>
Capital Assets Being Depreciated		
Buildings and Building Improvements	68,027,470	17,458,458
Furniture and Equipment	1,830,015	866,344
Total Capital Assets being Depreciated	69,857,485	18,324,802
Less Accumulated Depreciation	<u>(50,269,219)</u>	<u>(10,597,760)</u>
Subtotal Capital Assets Being Depreciated	19,588,266	7,727,042
Total Capital Assets	<u>\$ 22,808,504</u>	<u>\$ 8,901,236</u>

The following is a summary of changes:

	Primary Government				
	Balance July 1, 2011	Amount Reclassified	Additions	Deletions	Balance June 30, 2011
Capital Assets Not Being Depreciated					
Land	\$ 909,700	\$ 0	\$ 0	\$ 0	\$ 909,700
Construction in Progress	5,249,165	(7,638,215)	4,699,588	0	2,310,538
Total Capital Assets Not Being Depreciated	<u>6,158,865</u>	<u>(7,638,215)</u>	<u>4,699,588</u>	<u>0</u>	<u>3,220,238</u>
Capital Assets Being Depreciated					
Buildings and Building Improvements	66,705,283	7,638,215	974,317	(7,290,345)	68,027,470
Furniture and Equipment	1,797,427	0	79,920	(47,332)	1,830,015
Total Capital Assets Being Depreciated	<u>68,502,710</u>	<u>7,638,215</u>	<u>1,054,237</u>	<u>(7,337,677)</u>	<u>69,857,485</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(53,244,977)	0	(2,315,430)	6,888,146	(48,672,261)
Furniture and Equipment	(1,552,420)	0	(90,840)	46,302	(1,596,958)
Total Accumulated Depreciation	<u>(54,797,397)</u>	<u>0</u>	<u>(2,406,270)</u>	<u>6,934,448</u>	<u>(50,269,219)</u>
Depreciable Assets, Net	13,705,313	7,638,215	(1,352,033)	(403,229)	19,588,266
Total Capital Assets, Net, Primary Government	<u>\$ 19,864,178</u>	<u>\$ 0</u>	<u>\$ 3,347,555</u>	<u>\$ (403,229)</u>	<u>\$ 22,808,504</u>

In fiscal year 2012, the Authority demolished 132 units at Fairview Garden apartments resulting in a loss on disposition of \$402,199.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 6: CAPITAL ASSETS (Continued)

	Component Units				Balance June 30, 2012
	Balance July 1, 2011	Amount Reclassified	Additions	Deletions	
Capital Assets Not Being Depreciated					
Land	\$ 1,174,194	\$ 0	\$ 0	\$ 0	\$ 1,174,194
Construction in Progress	<u>59,483</u>	<u>0</u>	<u>0</u>	<u>(59,483)</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	<u>1,233,677</u>	<u>0</u>	<u>0</u>	<u>(59,483)</u>	<u>1,174,194</u>
Capital Assets Being Depreciated					
Buildings and Building Improvements	17,376,233	0	82,225	0	17,458,458
Furniture and Equipment	<u>840,694</u>	<u>0</u>	<u>33,900</u>	<u>(8,250)</u>	<u>866,344</u>
Total Capital Assets Being Depreciated	<u>18,216,927</u>	<u>0</u>	<u>116,125</u>	<u>(8,250)</u>	<u>18,324,802</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(9,398,860)	0	(439,556)	0	(9,838,416)
Furniture and Equipment	<u>(731,897)</u>	<u>0</u>	<u>(34,699)</u>	<u>7,252</u>	<u>(759,344)</u>
Total Accumulated Depreciation	<u>(10,130,757)</u>	<u>0</u>	<u>(474,255)</u>	<u>7,252</u>	<u>(10,597,760)</u>
Depreciable Assets, Net	<u>8,086,170</u>	<u>0</u>	<u>(358,130)</u>	<u>(998)</u>	<u>7,727,042</u>
Total Capital Assets, Net, Component Units	<u>\$ 9,319,847</u>	<u>\$ 0</u>	<u>\$ (358,130)</u>	<u>\$ (60,481)</u>	<u>\$ 8,901,236</u>

The depreciation periods for the above asset classes are as follows:

Buildings	40 Years
Building Improvements	15 Years
Furniture and Equipment Dwellings	7 Years
Furniture and Equipment Administration	3 to 7 Years

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TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

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

OPERS provides retirement, disability, survivor death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2012, 2011, and 2010 were \$386,194, \$400,927, and \$368,408 respectively. One hundred percent of the Authority's required contributions were made for the years ended 2012, 2011, and 2010.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending June 30, 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For fiscal year ending June 30, 2012, the employer contribution allocated to the health care for members in the Traditional Plan was 4.0 percent. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended June 30, 2012, 2011 and 2010 which were used to fund post-employment benefits were \$110,341, \$128,869, and \$144,732, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Commissioners subject to collective bargaining, when applicable.

Eligible employees earn 10 hours sick leave per month of service. Unused sick leave may be accumulated without limit. Employees who leave the Authority or are terminated are not paid for unused sick leave. However, any employee who retires, dies, or becomes disabled will be paid for unused sick leave based on the employee's years of service and unused sick leave subject to maximum limits based on the employee's years of service. Permanent employees who work full time earn annual leave (i.e., vacation hours) based on the employee's years of service. Annual leave may be accumulated up to 3 times the employee's annual accumulation amount as of July 1 of each year.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 9: **COMPENSATED ABSENCES** (Continued)

At June 30, 2012, based on the vesting method, \$467,205 was accrued by the primary government for unused vacation and sick time. The current portion is \$73,713 and the non-current portion is \$393,492. The additions reflect the dollar value of leave earned and the deletions reflect the dollar value of leave used, forfeited or otherwise removed as a liability.

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
\$ 447,547	\$ 241,561	\$(221,903)	\$ 467,205

At June 30, 2012, based on the vesting method, \$82,147 was accrued by the component units for unused vacation and sick time. The current portion is \$9,691 and the non-current portion is \$72,456.

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
\$ 83,707	\$ 42,472	\$ (44,032)	\$ 82,147

NOTE 10: **LONG-TERM DEBT**

A. **Primary Government**

The Authority has debt in 2012 equal to \$203,501 related to five properties, six dwelling units, purchased with Neighborhood Stabilization Program grant funds. The debt is not related to its public housing developments.

The Authority's primary government has long-term debt as follows:

<p>The PHA entered into a contractual agreement with Trumbull County, Ohio on March 2011, where the Authority initially received a grant for \$36,313 to be used for the purchase of property located at 506 Washington Avenue, Girard, Ohio. The grant has a restriction that the property shall be rehabilitated and rented to low income tenants for a period of 15 years. In the event of violation of this restriction, the Authority shall pay back the amount equal to the grant amount less the prorated amount of time measured from March 2011.</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Balance at</td> </tr> <tr> <td style="text-align: right;"><u>06/30/12</u></td> </tr> <tr> <td style="text-align: right;">\$ 30,834</td> </tr> </table>	Balance at	<u>06/30/12</u>	\$ 30,834
Balance at				
<u>06/30/12</u>				
\$ 30,834				

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 10: **LONG-TERM DEBT** (Continued)

A. **Primary Government** (Continued)

The PHA entered into a contractual agreement with Trumbull County, Ohio on May 2011, where the Authority initially received a grant for \$12,574 to be used for the purchase of property located at 674 Grover Avenue, Masury, Ohio. The grant has a restriction that the property shall be rehabilitated and rented to low income tenants for a period of 15 years. In the event of violation of this restriction, the Authority shall pay back the amount equal to the grant amount less the prorated amount of time measured from May 2011. 10,803

The PHA entered into a contractual agreement with Trumbull County, Ohio on June 2011, where the Authority initially received a grant for \$54,481 to be used for the purchase of property located at 409 Ventura Drive, Youngstown, Ohio. The grant has a restriction that the property shall be rehabilitated and rented to low income tenants for a period of 15 years. In the event of violation of this restriction, the Authority shall pay back the amount equal to the grant amount less the prorated amount of time measured from June 2011. 47,028

The PHA entered into a contractual agreement with Trumbull County, Ohio on June 2011, where the Authority initially received a grant for \$49,258 to be used for the purchase of property located at 501 Murray Hill Drive, Youngstown, Ohio. The grant has a restriction that the property shall be rehabilitated and rented to low income tenants for a period of 15 years. In the event of violation of this restriction, the Authority shall pay back the amount equal to the grant amount less the prorated amount of time measured from June 2011. 42,520

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 10: **LONG-TERM DEBT** (Continued)

A. **Primary Government** (Continued)

The PHA entered into a contractual agreement with Trumbull County, Ohio on July 2, 2011, where the Authority initially received a grant for \$50,875 to be used for the purchase of property at 3702-3704 Crestview Street, Warren, Ohio. The grant has a restriction that the property shall be rehabilitated and rented to low income tenants for a period of 15 years. In the event of a violation of this restriction, the Authority shall back the amount equal to the grant amount less the prorated amount of time measured from July 2011.

	44,110
Total Outstanding Debt	175,295
Less Current Portion	13,567
Total Long-Term Debt	\$ 161,728

A summary of the Primary Government's debt activity in the period is as follows:

<u>Description</u>	<u>Principal Balance 06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Balance 06/30/12</u>	<u>Current Portion</u>
Loan Payable	\$ 203,501	\$ 0	\$ (28,206)	\$ 175,295	\$ 13,567

Maturities of the debt over the next five years are as follows:

<u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2013	\$ 13,567	\$ 0	\$ 13,567
2014	13,567	0	13,567
2015	13,567	0	13,567
2016	13,567	0	13,567
2017	13,567	0	13,567
2018-2022	67,835	0	67,835
2023-2025	39,625	0	39,625
Totals	\$ 175,295	\$ 0	\$ 175,295

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 10: **LONG-TERM DEBT** (Continued)

B. Component Units

The Authority's component units were obligated on the following notes as of June 30, 2012:

Commercial Term Loan - Western Reserve HDC

The commercial term loan with Cortland Savings & Banking Company originated in the principal amount of \$3,000,000. The loan is at a rate equal to two percentage points above the certificate of deposit rate of the pledged collateral, for the term of 156 months, and has no prepayment penalty. The note is secured by an assignment of certificates of deposit at Cortland Savings & Banking Company.

	<u>\$ 2,497,480</u>
Total	<u><u>\$ 2,497,480</u></u>

Total payments, including interest, necessary for over the life of the debt is as follows:

<u>Fiscal Year</u> <u>Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 192,733	\$ 95,940	\$ 288,673
2014	200,464	88,209	288,673
2015	208,600	80,073	288,673
2016	217,066	71,607	288,673
2017	225,876	62,797	288,673
2018-2022	1,274,563	168,802	1,443,365
2023	<u>178,178</u>	<u>2,551</u>	<u>180,729</u>
Totals	<u><u>\$ 2,497,480</u></u>	<u><u>\$ 569,979</u></u>	<u><u>\$ 3,067,459</u></u>

Promissory Note

On March 1, 2020, a promissory note in the amount of \$712,517.27 was written between Warren Housing Development Corporation and Trumbull Housing Development Corporation for the balance due on a retired first mortgage associated with the Ridge property. The note bears a 4 percent interest rate and the scheduled monthly payments of \$3,401.67 are to be paid through November 1, 2022.

	<u>\$ 346,978</u>
Total	<u><u>\$ 346,978</u></u>

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 10: **LONG-TERM DEBT** (Continued)

B. **Component Units** (Continued)

Promissory Note (Continued)

Total payments, including interest, necessary for over the life of the debt in as follows:

<u>Fiscal Year</u> <u>Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 27,440	\$ 13,380	\$ 40,820
2014	28,558	12,262	40,820
2015	29,722	11,098	40,820
2016	30,933	9,887	40,820
2017	32,193	8,627	40,820
2018-2022	181,741	22,359	204,100
2023-2026	16,391	151	16,542
Totals	<u>\$ 346,978</u>	<u>\$ 77,764</u>	<u>\$ 424,742</u>

A summary of the Component Units' debt activity in the period is as follows:

	<u>Principal</u> <u>Balance</u> <u>06/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal</u> <u>Balance</u> <u>06/30/2012</u>	<u>Due Within</u> <u>One Year</u>
Commercial Term Loan	\$2,682,038	\$ 0	\$ (184,558)	\$2,497,480	\$ 192,733
Promissory Note	373,344	0	(26,366)	346,978	27,440
Total	<u>\$3,055,382</u>	<u>\$ 0</u>	<u>\$ (210,924)</u>	<u>\$2,844,458</u>	<u>\$ 220,173</u>

NOTE 11: **RESTRICTED NET ASSETS**

The Authority's restricted net assets consist of Housing Choice Voucher funds provided for housing assistance payments in excess of the amount used.

Total Restricted Net Assets \$ 599,290

NOTE 12: **LITIGATION**

The Authority is party to various legal proceedings. In the opinion of the Authority, the ultimate disposition of these proceedings will not have a material effect on the Authority's financial position. No provision has been made to the financial statements for the effect, if any, of such contingencies.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 13: **SPECIAL ITEMS**

The special item of \$93,400 for the component units consists of an equity transfer from an unrelated non-profit organization.

NOTE 14: **CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS**

	Warren Housing Development Corporation	Western Reserve Housing Development Corporation	<u>Totals</u>
<u>Balance Sheet</u>			
Current Assets	\$ 8,537,269	\$ 94,788	\$ 8,632,057
Capital and Other Assets	4,338,791	4,562,445	8,901,236
Current Liabilities	(285,415)	(278,062)	(563,477)
Non-Current Liabilities	(391,269)	(2,305,472)	(2,696,741)
Net Assets	12,199,376	2,073,699	14,273,075
<u>Revenues, Expenses, and Change in Equity</u>			
Operating Revenue	\$ 2,743,849	\$ 497,270	\$ 3,241,119
Operating Expenses	(2,020,888)	(437,559)	(2,458,447)
Net Operating Income (Loss)	722,961	59,711	782,672
Net Non-Operating Revenue			
Over Expenses	47,511	(102,812)	(55,301)
Excess of Revenue Over			
Expenses	770,472	(43,101)	727,371

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
<u>PHA Owned Housing:</u>		
Public Housing Operating Subsidy	14.850	\$ 4,055,074
Total for PHA Owned Housing Program		<u>4,055,074</u>
<u>CFP Cluster:</u>		
Public Housing Capital Fund Stimulus (Formula)		
Recovery Act Funded	14.885	944,986
Public Housing Capital Fund	14.872	<u>4,687,469</u>
Total CFP Cluster		<u>5,632,455</u>
<u>Section 8 Tenant:</u>		
Housing Assistance Payments:		
Housing Choice - Vouchers	14.871	<u>5,262,996</u>
Total Section 8 Tenant		<u>5,262,996</u>
Resident Opportunity and Support Services	14.870	<u>76,201</u>
Total Resident Opportunity and Support Services		<u>76,201</u>
Total U.S. Department of Housing and Urban Development		<u>15,026,726</u>
<u>U.S. Depart of Labor</u>		
<u>Direct Program</u>		
Youthbuild - Administered by Western Reserve Housing Development Corporation	17.274	<u>85,398</u>
Total U.S. Department of Labor		<u>85,398</u>
TOTAL ALL PROGRAMS		<u>\$ 15,112,124</u>

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: **PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the federal grant activity of the Trumbull Metropolitan Housing Authority. This schedule has been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2: **COMPONENT UNIT**

Federal expenditures for the component unit, Warren Housing Development Corporation, were reported separately in the Corporation's OMB Circular A-133 single audit report. A summary of the amount reported is presented below:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development</i>		
Section 8 New Construction	14.182	\$1,663,664
Service Coordinator Grant	14.191	<u>30,486</u>
Total Federal Expenditures		<u>\$1,694,150</u>

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2012**

Annual Contributions Contract C-5031

1. The total amount of modernization costs of the Capital Fund and Replacement Housing Program grants are shown below:

OH12ROO850107 Project OH

Funds Approved	\$ 161,379
Funds Expended	<u>161,379</u>
Excess of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 161,379
Funds Expended	<u>161,379</u>
Excess of Funds Advanced	<u>\$ 0</u>

OH12ROO850208 Project OH

Funds Approved	\$ 157,687
Funds Expended	<u>157,687</u>
Excess of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 157,687
Funds Expended	<u>157,687</u>
Excess of Funds Advanced	<u>\$ 0</u>

OH12ROO850209 Project OH

Funds Approved	\$ 124,393
Funds Expended	<u>124,393</u>
Excess of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 124,393
Funds Expended	<u>124,393</u>
Excess of Funds Advanced	<u>\$ 0</u>

OH12POO850108 Project OH

Funds Approved	\$2,058,333
Funds Expended	<u>2,058,333</u>
Excess of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$2,058,333
Funds Expended	<u>2,058,333</u>
Excess of Funds Advanced	<u>\$ 0</u>

(Continued)

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

<u>OH12POO850109 Project OH</u>	
Funds Approved	\$ 2,061,157
Funds Expended	<u>2,061,157</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 2,061,157
Funds Expended	<u>2,061,157</u>
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH12POO850110 Project OH</u>	
Funds Approved	\$ 2,071,277
Funds Expended	<u>2,071,277</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 2,071,277
Funds Expended	<u>2,071,277</u>
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH12POO850111 Project OH</u>	
Funds Approved	\$ 1,768,228
Funds Expended	<u>1,768,228</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,768,228
Funds Expended	<u>1,768,228</u>
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH12SOO850109 Project OH</u>	
Funds Approved	\$ 2,805,043
Funds Expended	<u>2,805,043</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 2,805,043
Funds Expended	<u>2,805,043</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

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Ohio Society of Certified Public Accountants

**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
Trumbull Metropolitan Housing Authority
Warren, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Trumbull Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the Trumbull Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of the Trumbull Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Trumbull Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Trumbull Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trumbull Metropolitan Housing Authority, Ohio's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trumbull Metropolitan Housing Authority, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 15, 2012

JAMES G. ZUPKA, C.P.A., INC.

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5240 East 98th Street
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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
Trumbull Metropolitan Housing Authority
Warren, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Trumbull Metropolitan Housing Authority with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect of Trumbull Metropolitan Housing Authority's major federal programs for the year ended June 30, 2012. The Trumbull Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Trumbull Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Trumbull Metropolitan Housing Authority, Ohio's compliance based on our audit.

Trumbull Metropolitan Housing Authority, Ohio's basic financial statements include the operations of the Warren Housing Development Corporation, which received \$1,694,150 in federal awards which are not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2012. Our audit, described below, did not include the operations of the Warren Housing Development Corporation, because a separate A-133 audit report is issued for this component unit.

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

In our opinion, the Trumbull Metropolitan Housing Authority, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Trumbull 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 our audit, we considered the Trumbull Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Trumbull Metropolitan Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Auditor of State, and federal awarding agencies and is not intended to be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 15, 2012

TRUMBULL METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS?)	No
2012(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list):	
	Housing Choice Voucher Program - CFDA 14.871	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$453,364 Type B: > all others
2012(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATUS PRIOR YEAR FINDINGS
JUNE 30, 2012

The audit report for the prior year ended June 30, 2011 contained no findings or citations.



Dave Yost • Auditor of State

TRUMBULL METROPOLITAN HOUSING AUTHORITY

TRUMBULL 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
FEBRUARY 12, 2013**