

**TRUMBULL METROPOLITAN
HOUSING AUTHORITY**

INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Trumbull Metropolitan Housing Authority
1977 Niles Road, SE
Warren, Ohio 44484

We have reviewed the Independent Auditor's Report of the Trumbull Metropolitan Housing Authority, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. 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 black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

August 27, 2002

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**TRUMBULL METROPOLITAN HOUSING AUTHORITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Trumbull Metropolitan Housing Authority
1977 Niles Road, SE
Warren, Ohio 44484

We have audited the accompanying financial statements of the Trumbull Metropolitan Housing Authority (the Authority), as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trumbull Metropolitan Housing Authority, as of June 30, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2002 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the Balance Sheet by Program, the Schedule of Revenues and Expenses by Program, the Schedule of Units Under Management and the Statement of Actual Modernization of the Cost Certificate are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 27, 2002

FINANCIAL STATEMENTS

Trumbull Metropolitan Housing Authority
Balance Sheet
June 30, 2001

ASSETS

Current Assets:

Cash	\$708,845
Tenants Accounts Receivable - Net of \$50,000 Allowance for Doubtful Accounts	56,402
Accounts Receivable - HUD Other Projects	453,268
Accounts Receivable - Miscellaneous	437,075
Accrued Interest	1,045
Prepaid Expenses	57,103
Inventory - Net of \$110,332 Allowance for Obsolete Inventories	257,441

Total Current Assets 1,971,179

Property and Equipment - Net of \$32,902,935 Accumulated Depreciation	<u>24,892,787</u>
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Total Assets \$26,863,966

LIABILITIES AND EQUITY

Current Liabilities:

Accounts Payable	\$151,005
Intergovernmental Payable	58,106
Accrued Compensated Absences	282,328
Tenant Security Deposits	41,291
Deferred Revenues	106,944
Other Current Liabilities	308,158

Total Liabilities 947,832

Equity:

Contributed Capital	24,338,115
Retained Earnings	<u>1,578,019</u>

Total Equity 25,916,134

Total Liabilities and Equity \$26,863,966

Interfund eliminations have been made in the aggregation of this data.

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

Trumbull Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
For the Fiscal Year Ended June 30, 2001

Operating Revenues

HUD Grants	\$10,296,355
Tenant Rental Income	1,573,592
Other Tenant Revenue	4,478
Other Operating Revenue	268,739
	<hr/>
Total Operating Revenues	12,143,164

Operating Expenses

Housing Assistance Payments	3,218,044
Administrative Salaries	1,081,680
Auditing Fees	5,479
Compensated Absences	34,865
Employee Benefit Contributions - Administrative	526,250
Other Operating - Administrative	1,697,166
Utilities	999,189
Labor - Maintenance	695,861
Materials and Other - Maintenance	128,377
Contract Costs - Maintenance	807,545
Employee Benefit Contributions - Maintenance	350,979
Insurance Premiums	158,621
Payment in Lieu of Taxes	58,384
Bad Debt - Tenant Rents	36,735
Severance	19,219
Depreciation	2,156,842
Other General Operating Expense	136,429
	<hr/>
Total Operating Expenses	12,111,665

Operating Income	31,499
	<hr/>

Nonoperating Revenues (Expenses)

Investment Income	66,645
Extraordinary Maintenance	(8,146)
Casualty Losses	(22,766)
Loss on Sale of Fixed Assets	(1,064)
	<hr/>

Total Nonoperating Revenues (Expenses)	34,669
	<hr/>

Net Income	66,168
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Retained Earnings - Beginning of Fiscal Year (Restated)	710,189
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Residual Equity Transfers In	801,662
	<hr/>

Retained Earnings - End of Fiscal Year	1,578,019
	<hr/>

Contributed Capital - Beginning of Fiscal Year (Restated)	25,139,777
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Residual Equity Transfers Out	(801,662)
	<hr/>

Contributed Capital - End of Fiscal Year	24,338,115
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Total Equity - End of Fiscal Year	\$25,916,134
	<hr/> <hr/>

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

Trumbull Metropolitan Housing Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2001

Cash Flows from Operating Activities

Operating Income \$31,499

Adjustments to Reconcile Operating Income to Net Cash Provided by

Operating Activities:

Depreciation 2,156,842

Changes in Operating Assets and Liabilities that Increase/

Decrease Cash Flows:

Accounts Receivables (190,708)

Prepaid Expenses 42,101

Inventory (121,235)

Accounts Payable 45,109

Intergovernmental Payable (31,209)

Accrued Wages and Payroll Taxes (23,584)

Accrued Compensated Absences (13,065)

Tenant Security Deposits (8,493)

Other Current Liabilities 66,066

Total Adjustments 1,921,824

Net Cash Provided by Operating Activities 1,953,323

Cash Flows from Capital and Related Financing Activities

Purchase of Property and Equipment (115,261)

Construction In Progress (2,809,026)

Net Cash (Used for) Capital and Related Financing Activities (2,924,287)

Cash Flows from Investing Activities

Investment Income 66,645

Net Cash Provided by Investing Activities 66,645

(Decrease) in Cash (904,319)

Cash - Beginning of Fiscal Year 1,613,164

Cash - End of Fiscal Year \$708,845

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

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Trumbull Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with State law to eliminate housing conditions which are detrimental to public peace, health, safety, morals or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending and repairing housing facilities.

The nucleus of the financial reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit’s board and either (1) the Authority’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Authority. These criteria were considered in determining the reporting entity. Management has determined the Authority has no component units.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund. The enterprise fund is accounted for on a flow of economic resources measurement focus.

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 Financial Accounting Standards Board 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.

ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

TENANTS RECEIVABLES - RECOGNITION OF BAD DEBTS

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenants receivable balances at the end of the fiscal year.

INVENTORY

Inventory is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expense when used.

OBSOLETE INVENTORIES

The allowance for obsolete inventories is based on management's evaluation of the amounts of materials in inventory that are unusable or obsolete by the time the items is scheduled to be used.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost when historical records are available and at estimated historical cost when no historical cost records are available. Donated property and equipment is valued at the estimated fair market value on the date received. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. The Authority does not possess any infrastructure.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Land/Building Improvements	15 years
Furniture, Equipment and Machinery	3-7 years

CAPITALIZATION OF INTEREST

HUD's policy is not to capitalize interest in the construction or purchase of property and equipment.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COMPENSATED ABSENCES

Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences," specifies the methods used to accrue liabilities for leave benefits. Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Authority's past experience of making termination payments.

NOTE 2 – RESTATEMENT OF PRIOR FISCAL YEAR EQUITY

Beginning contributed capital and retained earnings were restated due to errors in property and equipment and accumulated depreciation in the prior fiscal year as follows:

Retained Earnings as Stated at June 30, 2000	\$1,507,454
Restatement	<u>(797,265)</u>
Restated Earnings as Restated at July 1, 2000	<u><u>\$710,189</u></u>
Contributed Capital as Stated at June 30, 2000	\$25,211,328
Restatement	<u>(71,551)</u>
Contributed Capital as Restated at July 1, 2000	<u><u>\$25,139,777</u></u>

NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS

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

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, requires the Authority's deposits to be categorized to give an indication of the level of credit risk assumed by the Authority at fiscal year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 included uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution or by its trust department or safekeeping agent, but not in the Authority's name.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

The following shows the Authority's deposits (bank balances) in each category:

Category 1	\$287,661 was covered by federal depository insurance.
Category 2	\$463,974 was covered by collateral held by the pledging financial institution in the name of the Authority.

INVESTMENTS

HUD, State statute and Board resolutions authorize the Authority to invest in obligations of U.S. Treasury, obligations or securities issued by Federal agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, local government investment pool, Separate Trading of Registered Interest and Principal of Securities, mutual funds, bonds and other obligations of Ohio, and the State Treasurer's investment pool.

The Authority held nonnegotiable certificates of deposit throughout the 2001 fiscal year which are considered to be deposits for GASB Statement No. 3 purposes and are classified as "Cash" on the Balance Sheet. The Authority held no investments during the 2001 fiscal year.

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2001, by class follows:

Land	\$878,365
Buildings	51,360,433
Furniture, Equipment and Machinery - Dwellings	1,504,925
Furniture, Equipment and Machinery - Administration	958,249
Construction In Progress	3,093,750
Total	<u>57,795,722</u>
Less Accumulated Depreciation	<u>(32,902,935)</u>
Net Property and Equipment	<u><u>\$24,892,787</u></u>

NOTE 5 - ADMINISTRATIVE FEE

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rates are as follows:

- A. Section 8 Rental Voucher Program
 - Units per month x \$38.76/unit – first 600 units for each month
 - Units per month x \$36.18/unit – remaining units after first 600 for each month

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 5 - ADMINISTRATIVE FEE (continued)

B. Section 8 Rental Certificate Program

Units per month x \$38.76/unit - first 600 units for each month

Units per month x \$36.18/unit - remaining units after first 600 for each month

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS 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) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages of all employees. The 2001 employer contribution rate was 13.55% of covered payroll; 9.25% was portion to fund pension obligations. The Authority's contributions to PERS for pension obligations for the fiscal years ended June 30, 2001, 2000 and 1999 were \$294,535, \$301,987 and \$291,897, respectively; 100% has been contributed for each of those fiscal years.

PERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage by PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55% of covered payroll; 4.30% was the portion that used to fund health care for the year 2001.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. For the Authority, this amount equaled \$136,919.

The following assumptions and calculations were based on PERS' latest actuarial review performed as of December 31, 2000. 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% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% 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 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS (continued)

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants statewide was 411,076. \$11,735.9 million represents the actuarial value of PERS' net assets available for OPEB at December 31, 2000 (the latest information available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.60 million and \$2,628.7 million, respectively.

NOTE 7 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by personnel policy and negotiated agreements for the employees of the Authority.

All full-time, permanent employees earn vacation hours accumulated based on length of service. Vacation shall be cumulative to the credit of an employee to the maximum of three times the annual accumulation rate as of July 1 of each fiscal year and carried forward to his/her credit from one calendar year to another. At the time of separation, employees shall be paid for any accumulated and unused vacation not to exceed three times the annual accumulation rate.

All full-time, permanent employees earn sick leave at a rate of one and one quarter days per month (15 days per year). Sick leave may be carried over from the year to year in unlimited amounts. Upon separation, employees shall be paid for any accumulated and unused sick leave not to exceed 960 hours.

NOTE 8 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and, natural disasters. The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

NOTE 9 - CONTINGENCIES

GRANTS

The Authority received financial assistance from HUD in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by HUD. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at June 30, 2001.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 9 – CONTINGENCIES (continued)

LITIGATION

In the normal course of operations, the Authority may be subject to litigation and claims. At June 30, 2001, the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

NOTE 10 - CONSTRUCTION COMMITMENT

The Authority had the following construction commitment at June 30, 2001:

<u>Project</u>	<u>Total Authorized Cost</u>	<u>Expended to 06/30/2001</u>	<u>Balance at 06/30/2001</u>
Highland Terrace Renovations	\$6,418,000	\$2,429,537	\$3,988,463

**Trumbull Metropolitan Housing Authority
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2001**

Federal Grantor/ Program Title	Federal CFDA Number	Agency Entity Number	Disbursements
<u>United States Department of Housing and Urban Development</u>			
Public and Indian Housing	14.850	OH00800101J	\$2,609,950
Public and Indian Housing: Drug Elimination Program	14.854	OH12-DEP008-0198	40,194
Drug Elimination Program	14.854	OH12-DEP008-0199	<u>295,300</u>
Total Drug Elimination Program			<u>335,494</u>
Public and Indian Housing: Comprehensive Grant Program	14.859	OH12-P008-70798	75,013
Comprehensive Grant Program	14.859	OH12-P008-70899	<u>1,862,919</u>
Total Comprehensive Grant Program			<u>1,937,932</u>
Public Housing Capital Fund	14.872	OH12-P008-50100	<u>1,394,793</u>
Economic Development and Supportive Services Program	14.864	OH12EDC0080196	<u>394,191</u>
Section 8 Cluster:			
Section 8 Rental Voucher Program	14.855	OH008VO	3,165,139
Section 8 Rental Certificate Program	14.857	OH008CE	<u>84,472</u>
Total Section 8 Cluster			<u>3,249,611</u>
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	14.182	OH008SB0014	<u>374,383</u>
Total Federal Assistance			<u><u>\$10,296,354</u></u>

The notes to this Schedule are an integral part of this Schedule.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal award programs. The Schedule has been prepared on the accrual basis of accounting, in accordance with accounting principles prescribed by the U.S. Department of Housing and Urban Development. The information in the 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 the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Trumbull Metropolitan Housing Authority
Balance Sheet by Program
June 30, 2001

	Low-Rent Public Housing	Comprehensive Grant Program	Capital Fund Program	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Section 8 New Construction and Substantial Rehabilitation	Total
ASSETS							
Current Assets:							
Cash	\$272,849	\$0	\$0	\$0	\$404,174	\$31,822	\$708,845
Tenant Accounts Receivable	106,402	0	0	0	0	0	106,402
Allowance for Doubtful Accounts - Dwelling Rent	(50,000)	0	0	0	0	0	(50,000)
Accounts Receivable - HUD Other Projects	0	0	0	453,268	0	0	453,268
Accounts Receivable - Miscellaneous	326	0	0	15,014	421,735	0	437,075
Accrued Interest	1,045	0	0	0	0	0	1,045
Prepaid Expenses	49,594	0	0	0	7,509	0	57,103
Inventory	367,773	0	0	0	0	0	367,773
Allowance for Obsolete Inventories	(110,332)	0	0	0	0	0	(110,332)
Interprogram Due From	0	0	0	0	384,177	0	384,177
Total Current Assets	637,657	0	0	468,282	1,217,595	31,822	2,355,356
Noncurrent Assets:							
Land	874,365	0	0	0	4,000	0	878,365
Buildings	51,353,333	0	0	0	7,100	0	51,360,433
Furniture, Equipment and Machinery - Dwellings	1,504,925	0	0	0	0	0	1,504,925
Furniture, Equipment and Machinery - Administration	827,102	0	0	2,976	128,171	0	958,249
Accumulated Depreciation	(32,814,357)	0	0	(2,976)	(85,602)	0	(32,902,935)
Construction In Progress	0	1,735,218	1,358,532	0	0	0	3,093,750
Total Noncurrent Assets	21,745,368	1,735,218	1,358,532	0	53,669	0	24,892,787
Total Assets	\$22,383,025	\$1,735,218	\$1,358,532	\$468,282	\$1,271,264	\$31,822	\$27,248,143
LIABILITIES AND EQUITY							
Current Liabilities:							
Accounts Payable	\$88,359	\$0	\$0	\$0	\$48,064	\$14,582	\$151,005
Intergovernmental Payable	58,106	0	0	0	0	0	58,106
Accrued Compensated Absences	236,881	0	0	30,416	15,031	0	282,328
Tenant Security Deposits	41,291	0	0	0	0	0	41,291
Deferred Revenue	106,944	0	0	0	0	0	106,944
Other Current Liabilities	290,746	0	0	172	0	17,240	308,158
Interprogram Due To	0	0	0	384,177	0	0	384,177
Total Liabilities	822,327	0	0	414,765	63,095	31,822	1,332,009
Equity:							
Contributed Capital	24,038,499	299,616	0	0	0	0	24,338,115
Retained (Deficit) Earnings	(2,477,801)	1,435,602	1,358,532	53,517	1,208,169	0	1,578,019
Total Equity	21,560,698	1,735,218	1,358,532	53,517	1,208,169	0	25,916,134
Total Liabilities and Equity	\$22,383,025	\$1,735,218	\$1,358,532	\$468,282	\$1,271,264	\$31,822	\$27,248,143

**Trumbull Metropolitan Housing Authority
Schedule of Revenues and Expenses by Program
For the Fiscal Year Ended June 30, 2001**

	Low-Rent Public Housing	Comprehensive Grant Program	Drug Elimination Program	Economic Development and Supportive Services Program	Capital Fund Program	Section 8 Rental Voucher Program	Section 8 Rental Certificate Program	Section 8 New Construction and Substantial Rehabilitation	Total
Operating Revenues									
HUD Grants	\$2,609,950	\$1,937,932	\$335,494	\$394,191	\$1,394,794	\$3,165,139	\$84,472	\$374,383	\$10,296,355
Tenant Rental Income	1,573,592	0	0	0	0	0	0	0	1,573,592
Other Tenant Revenue	4,478	0	0	0	0	0	0	0	4,478
Other Operating Revenue	268,739	0	0	0	0	0	0	0	268,739
Total Operating Revenues	4,456,759	1,937,932	335,494	394,191	1,394,794	3,165,139	84,472	374,383	12,143,164
Operating Expenses									
Housing Assistance Payments	0	0	0	0	0	2,777,073	81,495	359,476	3,218,044
Administrative Salaries	788,480	0	0	0	0	286,237	6,963	0	1,081,680
Auditing Fees	3,979	0	0	0	0	625	625	250	5,479
Compensated Absences	26,079	0	0	0	0	8,786	0	0	34,865
Employee Benefit Contributions - Administrative	396,213	0	0	0	0	126,900	3,137	0	526,250
Other Operating - Administrative	300,690	502,330	335,494	394,191	18,662	130,785	0	15,014	1,697,166
Utilities	999,189	0	0	0	0	0	0	0	999,189
Labor - Maintenance	695,861	0	0	0	0	0	0	0	695,861
Materials and Other - Maintenance	128,377	0	0	0	0	0	0	0	128,377
Contract Costs - Maintenance	807,545	0	0	0	0	0	0	0	807,545
Employee Benefit Contributions - Maintenance	350,979	0	0	0	0	0	0	0	350,979
Insurance Premiums	156,107	0	0	0	0	2,437	77	0	158,621
Payment in Lieu of Taxes	58,384	0	0	0	0	0	0	0	58,384
Bad Debt - Tenant Rents	36,735	0	0	0	0	0	0	0	36,735
Severance	19,219	0	0	0	0	0	0	0	19,219
Depreciation	2,146,456	0	0	0	0	0	10,386	0	2,156,842
Other General Operating Expenses	136,429	0	0	0	0	0	0	0	136,429
Total Operating Expenses	7,050,722	502,330	335,494	394,191	18,662	3,332,843	102,683	374,740	12,111,665
Operating Income (Loss)	(2,593,963)	1,435,602	0	0	1,376,132	(167,704)	(18,211)	(357)	31,499
Nonoperating Revenues (Expenses)									
Investment Income	28,039	0	0	0	0	6,034	32,215	357	66,645
Extraordinary Maintenance	(8,146)	0	0	0	0	0	0	0	(8,146)
Casualty Losses	(22,766)	0	0	0	0	0	0	0	(22,766)
Loss on Sale of Fixed Assets	(1,064)	0	0	0	0	0	0	0	(1,064)
Total Nonoperating Revenues (Expenses)	(3,937)	0	0	0	0	6,034	32,215	357	34,669
Income (Loss) Before Operating Transfers	(2,597,900)	1,435,602	0	0	1,376,132	(161,670)	14,004	0	66,168
Other Financing Sources (Uses)									
Operating Transfers In	17,600	0	0	0	0	8,446	0	0	26,046
Operating Transfers Out	0	0	0	0	(17,600)	0	(8,446)	0	(26,046)
Net Income (Loss)	(2,580,300)	1,435,602	0	0	1,358,532	(153,224)	5,558	0	66,168
Retained Earnings (Deficit) - Beginning of Fiscal Year (Restated)	(699,163)	0	0	0	0	206,741	1,202,611	0	710,189
Residual Equity Transfers In	801,662	0	0	0	0	0	0	0	801,662
Retained Earnings (Deficit) - End of Fiscal Year	(2,477,801)	1,435,602	0	0	1,358,532	53,517	1,208,169	0	1,578,019
Contributed Capital - Beginning of Fiscal Year (Restated)	24,038,499	1,101,278	0	0	0	0	0	0	25,139,777
Residual Equity Transfers Out	0	(801,662)	0	0	0	0	0	0	(801,662)
Contributed Capital - End of Fiscal Year	24,038,499	299,616	0	0	0	0	0	0	24,338,115
Total Equity - End of Fiscal Year	\$21,560,698	\$1,735,218	\$0	\$0	\$1,358,532	\$53,517	\$1,208,169	\$0	\$25,916,134

Trumbull Metropolitan Housing Authority
Schedule of Units Under Management
For the Fiscal Year Ended June 30, 2001

The Authority had 2,240 units under management.

<u>Management</u>	<u>Units</u>
Low-Rent Public Housing	1,366
Section 8 Rental Voucher Program	790
Section 8 Rental Certificate Program	24
Section 8 New Construction and Substantial Rehabilitation	60

Trumbull Metropolitan Housing Authority
Statement of Actual Modernization of Cost Certificate
June 30, 2001

	Comprehensive Grant Program OH12-P008-70798
Total Amount of Actual Modernization Cost	
Original Funds Approved	\$2,418,643
Funds Disbursed	<u>(2,418,643)</u>
Amount to be Recaptured	<u><u>\$0</u></u>
Original Funds Approved	\$2,418,643
Funds Expended (Actual Modernization Cost)	<u>(2,418,643)</u>
Excess of Funds Disbursed	<u><u>\$0</u></u>

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

Board of Commissioners
Trumbull Metropolitan Housing Authority
1977 Niles Road, SE
Warren, Ohio 44484

We have audited the financial statements of the Trumbull Metropolitan Housing Authority (the Authority), as of and for the year ended June 30, 2001, and have issued our report thereon dated June 27, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated June 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-1 and 2001-2.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated June 27, 2002.

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 27, 2002

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Board of Commissioners
Trumbull Metropolitan Housing Authority
1977 Niles Road, SE
Warren, Ohio 44484

Compliance

We have audited the compliance of the Trumbull Metropolitan Housing Authority (the Authority) 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, 2001. The Authority'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 Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 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 on the Authority's compliance with those requirements.

In our opinion, the Trumbull Metropolitan Housing Authority 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, 2001. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Authority in a separate letter dated June 27, 2002.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133* (continued)

Internal Control Over Compliance

The management of the Authority 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 Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

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

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 27, 2002

TRUMBULL METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the financial statement level?	Yes
(d)(1)(iii)	Was there any material noncompliance reported at the financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

TRUMBULL METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

(d)(1)(vii)	Major Programs:	Public and Indian Housing Comprehensive Grant Program, CFDA #14.859; Public Housing Capital Fund, CFDA #14.872; and Economic Development and Supportive Services Program, CFDA #14.864
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$308,891 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2001-1

Cost Allocation Plan

During the audit, appropriate supporting documentation was not provided for the allocation of costs of the Authority among its programs and between itself and the related development corporations in certain instances because the Authority does not have a formal indirect cost allocation plan. By not having an indirect cost allocation plan, indirect expenses may not be allocated accurately among the Authority's programs and between itself and the related development corporations.

Direct costs should be supported by original documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, time and attendance records, payroll ledgers, etc.

For indirect costs, OMB Circular A-133 Compliance Supplement, states, in part, that organizations must prepare cost allocation plans or indirect cost rate proposals in accordance with the guidelines provided in OMB's circulars and maintain them on file for review.

TRUMBULL METROPOLITAN HOUSING AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

We recommend that the Authority prepare a cost allocation plan or indirect cost rate proposal in accordance with OMB cost principles circulars to support the allocation of costs of the Authority among its programs and between itself and the related development corporations. Statistical data, such as square footage, case counts, salaries and wages, time studies, time and effort reports, number of units, etc. that produce an equitable and reasonable distribution of costs should be used as the method of allocating costs. Documentation of the statistical data used should be maintained on file for auditing purposes.

Finding Number 2001-2

Accounting for Fixed Assets

During our review of fixed assets, it was discovered that the Authority could not provide us with an up-to-date, accurate listing of fixed assets. Also, our testing revealed that the Authority did not capitalize some fixed asset acquisitions over the capitalization threshold of \$500 during the audit period.

This has caused difficulties in establishing a proper audit trail and could cause fixed assets to be misstated on the financial statements.

We recommend that the Authority perform a physical inventory of all of its fixed assets and create fixed assets listings that include, but not be limited to the following: description; serial or other identification number; source/vendor, acquisition date and cost; who holds title; amount of grant funds applied to the cost; name of grant applied to the cost; location; use and condition; tag number; and ultimate disposition data including sales price, disposal date and method to determine fair market value for Federal purposes.

Also, we recommend that the Authority establish procedures where individuals processing purchase orders and/or during the payment of invoices, track these purchases at the time of acquisition. This can be accomplished by setting a flag in the Authority's accounting system, identifying any capital purchases over the capitalization threshold of \$500.

In addition, we recommend that the Authority develop a formal fixed asset policy whose provisions should include, but not be limited to, the following:

- a. Establish a tagging system where each asset is assigned a number and tagged.
- b. Require each department/location to perform a physical inventory at or near the end of each fiscal year.

TRUMBULL METROPOLITAN HOUSING AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)**

- c. Reconcile these physical inventories each fiscal year to the fixed assets listings.
- d. Establish fixed asset listings, which include all of the aforementioned information.
- e. Identify fixed asset useful life by category.
- f. Address treatment of fixed assets purchased in the aggregate or as a group.
- g. Describe recognition of donated fixed assets.
- h. Discuss construction in progress.
- i. All fixed assets that are moved from their original location should be documented on a "Fixed Asset Transfer Form" with appropriate administrative approval. The fixed asset listings should then be updated timely using transfer form information.
- j. Explain the difference between an expense and an addition to fixed assets.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
SEPTEMBER 10, 2002**