

**TRUMBULL METROPOLITAN  
HOUSING AUTHORITY**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Commissioners  
Trumbull Metropolitan Housing Authority  
4076 Youngstown Rd. SE  
Warren, Oh 44484

We have reviewed the Independent Auditor's Report of the Trumbull Metropolitan Housing Authority, Trumbull County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Trumbull Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 14, 2004

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**TRUMBULL METROPOLITAN HOUSING AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Trumbull Metropolitan Housing Authority  
4076 Youngstown 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, 2003, 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, 2003 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 January 30, 2004 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

January 30, 2004



*FINANCIAL STATEMENTS*

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**Trumbull Metropolitan Housing Authority**  
**Balance Sheet**  
**June 30, 2003**

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**ASSETS**

Current Assets:	
Cash	\$419,063
Accounts Receivable - HUD	983,382
Tenants Accounts Receivable - Net of \$43,000 Allowance for Doubtful Accounts	39,788
Accounts Receivable - Miscellaneous	180,477
Interprogram Due From	28,526
Accrued Interest	770
Prepaid Expenses	122,294
Inventory - Net of \$40,627 Allowance for Obsolete Inventories	160,220
Total Current Assets	<u>1,934,520</u>
Property and Equipment - Net of \$37,565,704 Accumulated Depreciation	<u>26,924,814</u>
Total Assets	<u><u>\$28,859,334</u></u>

**LIABILITIES AND EQUITY**

Current Liabilities:	
Accounts Payable	\$116,830
Accounts Payable - PHA Programs	109,355
Accounts Payable - Other Government	52,206
Accrued Wages and Payroll Taxes	59,692
Accrued Compensated Absences	37,074
Tenant Security Deposits	66,906
Deferred Revenues	72,736
Interprogram Due To	28,526
Other Current Liabilities	1,059,262
Total Current Liabilities	<u>1,602,587</u>
Noncurrent Liabilities:	
Accrued Compensated Absences	210,086
Other Noncurrent Liabilities	8,167
Total Noncurrent Liabilities	<u>218,253</u>
Total Liabilities	<u>1,820,840</u>
Equity:	
Contributed Capital	24,338,115
Retained Earnings	2,700,379
Total Equity	<u>27,038,494</u>
Total Liabilities and Equity	<u><u>\$28,859,334</u></u>

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, 2003**

<u>Operating Revenues</u>	
HUD Grants	\$11,231,481
Tenant Rental Income	1,466,559
Other Tenant Revenue	10,319
Other Operating Revenue	61,955
	<hr/>
Total Operating Revenues	12,770,314
<u>Operating Expenses</u>	
Housing Assistance Payments	3,666,844
Administrative Salaries	978,725
Auditing Fees	21,146
Employee Benefit Contributions - Administrative	478,538
Other Operating - Administrative	1,256,845
Utilities	920,946
Labor - Maintenance	758,688
Materials and Other - Maintenance	373,289
Contract Costs - Maintenance	744,708
Employee Benefit Contributions - Maintenance	389,324
Insurance Premiums	243,268
Payment in Lieu of Taxes	52,762
Bad Debt - Tenant Rents	17,330
Severance	4,870
Depreciation	2,514,260
Other General Operating Expense	2,490
	<hr/>
Total Operating Expenses	12,424,033
Operating Income	346,281
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	19,225
Capital Contributions	559,799
Casualty Losses	(17,346)
	<hr/>
Total Nonoperating Revenues (Expenses)	561,678
Net Income	907,959
Retained Earnings - Beginning of Fiscal Year (Restated, See Note 2)	2,281,132
Prior Period Adjustment, Equity Transfer	(488,712)
	<hr/>
Retained Earnings - End of Fiscal Year	2,700,379
Contributed Capital - Beginning of Fiscal Year	24,338,115
	<hr/>
Contributed Capital - End of Fiscal Year	24,338,115
	<hr/>
Total Equity - End of Fiscal Year	\$27,038,494

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, 2003**

<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$1,493,498
Cash Payments to Suppliers for Goods and Services	(2,274,787)
Cash Payments to Employees for Services	(1,734,485)
Cash Payments for Employee Benefits	(867,546)
Payments in Lieu of Taxes	(67,909)
HUD Operating Grants	10,543,953
Other Operating Revenues	59,033
Housing Assistance Payments	(3,727,144)
Other Operating Expenses	<u>(2,014,364)</u>
Net Cash Provided by Operating Activities	<u>1,410,249</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Short-Term Loans Received	328,167
Short-Term Loans Made	(9,316)
Other Nonoperating Revenues	275,000
Other Nonoperating Expenses	(15,901)
Equity Transfer	<u>(500,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>77,950</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Receipts From Capital Grants	472,925
Acquisition of Capital Assets	<u>(2,374,912)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,901,987)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on Investments	<u>19,241</u>
Net Cash Provided by Investing Activities	<u>19,241</u>
Net (Decrease) in Cash and Cash Equivalents	(394,547)
Cash and Cash Equivalents at Beginning of Year	<u>813,610</u>
Cash and Cash Equivalents at End of Year	<u><u>\$419,063</u></u>
Reconciliation of Operating (Loss) to Net	
<u>Cash (Used for) Operating Activities</u>	
Operating Income	<u>\$346,281</u>
Adjustments to Reconcile Operating (Loss) to	
<u>Net Cash (Used for) Operating Activities</u>	
Depreciation	2,514,260
Other Nonoperating Revenues	(138,334)
Other Nonoperating Expenses	29,907
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable - HUD	(839,902)
(Increase)/Decrease in Accounts Receivable - PHA	(12,681)
(Increase)/Decrease in Accounts Receivable - Tenants	4,786
(Increase)/Decrease in Accounts Receivable - Other	(208,514)
(Increase)/Decrease in Due From Other Funds	27,174
(Increase)/Decrease in Prepaid Items	(19,731)
(Increase)/Decrease in Materials and Supplies Inventory	74,473
Increase/(Decrease) in Accounts Payable	(380,939)
Increase/(Decrease) in Accounts Payable - PHA Programs	(31,368)
Increase/(Decrease) in Accounts Payable - HUD	82,334
Increase/(Decrease) in Accounts Payable - Other	9,797
Increase/(Decrease) in Accrued Wages and Benefits	15,535
Increase/(Decrease) in Compensated Absences Payable	(59,338)
Increase/(Decrease) in Intergovernmental Payable	(15,147)
Increase/(Decrease) in Deferred Revenue	(176)
Increase/(Decrease) in Tenant Security Deposits	<u>11,832</u>
Total Adjustments	<u>1,063,968</u>
Net Cash Provided by Operating Activities	<u><u>\$1,410,249</u></u>

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, 2003**

**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.

**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.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 CONSTRUCTION COSTS

The Authority's policy is not to capitalize interest and certain administrative costs in the construction or purchase of property and equipment.

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.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**NOTE 2 – RESTATEMENT OF RETAINED EARNINGS**

The Net Income and Retained Earnings for the year ended June 30, 2002 has been increased by HUD by \$11,288. The Authority earmarked a portion of its Administrative Fee Reserve Balance from its Section 8 program for purposes of renovating a new administrative building in October, 2002. HUD approved the obligation and adjustment to the Authority’s Administrative Reserve Balance accordingly. The Authority is leasing the building from the Western Reserve Housing Development Corporation. Retained Earnings has been reduced by \$500,000.

	As Originally Stated	Adjustments	Restated
Net Income for Year Ended June 30, 2002	\$748,685	\$11,288	\$759,973
Retained Earnings at June 30, 2002	2,281,132	(488,712)	1,792,420

**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, 2003**

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

At year end, the carrying amount of the Authority’s deposits were \$419,063 and the bank balance was \$517,177. Of the bank balance:

1. \$339,702 was covered by federal depository insurance.
2. \$177,475 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 2003 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 2003 fiscal year.

**NOTE 4 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2003, by class follows:

Land	\$878,365
Buildings	55,515,055
Furniture, Equipment and Machinery - Dwellings	1,555,374
Furniture, Equipment and Machinery - Administration	1,375,450
Construction In Progress	5,166,274
Total	<u>64,490,518</u>
Less Accumulated Depreciation	<u>(37,565,704)</u>
Net Property and Equipment	<u><u>\$26,924,814</u></u>

**TRUMBULL METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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:

Section 8 Rental Voucher Program

Units per month x \$43.62/unit – first 600 units for each month

Units per month x \$40.72/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 Ohio), a statewide cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS Ohio 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 Ohio 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 employer contribution rate was 13.55% of covered payroll; 5.00% was portion to fund pension obligations. The Authority’s contributions to PERS Ohio for pension obligations for the fiscal years ended June 30, 2003, 2002 and 2001 were \$237,925, \$210,715 and \$294,535, respectively; 100% has been contributed for each of those fiscal years.

PERS Ohio 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 Ohio 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 Ohio is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate was 13.55% of covered payroll; 5.00% was the portion that used to fund health care for the year 2002.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS Ohio. For the Authority, this amount equaled \$139,733.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS (continued)**

The following assumptions and calculations were based on PERS Ohio's latest actuarial review performed as of December 31, 2002. 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 2002 was 8.00%. An annual increase of 4.00% 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 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEB's are advance-funded on an actuarially determined basis. The number of active contributing participants statewide was 364,881. \$10.0 billion represents the actuarial value of PERS Ohio's net assets available for OPEB at December 31, 2002 (the latest information available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, 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 are not paid for any accumulated and unused sick leave unless the employee qualifies for retirement or dies after five years of service.

**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.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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, 2003.

LITIGATION

In the normal course of operations, the Authority may be subject to litigation and claims. At June 30, 2003, 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.

**Trumbull Metropolitan Housing Authority  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2003**

Federal Grantor/ Program Title	Federal CFDA Number	Agency Entity Number	Disbursements
<b><u>United States Department of Housing and Urban Development</u></b>			
Public and Indian Housing	14.850	OH00800103J	\$2,631,605
Public and Indian Housing: Drug Elimination Program	14.854	OH12-DEP008-0101	305,546
Public Housing Capital Fund	14.872	OH12-P008-50102	3,134,347
Section 8 Cluster: Section 8 Housing Choice Vouchers	14.871	OH008VOV-5301B	3,787,422
Section 8 Project-Based Cluster: Section 8 New Construction and Substantial Rehabilitation	14.182	OH0085B0014	319,279
Total Federal Assistance			\$10,178,199

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, 2003**

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 cash basis of accounting. 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, 2003**

	<b>Low-Rent Public Housing</b>	<b>Drug Elimination Program</b>	<b>Capital Fund Program</b>	<b>Section 8 Choice Voucher</b>	<b>Section 8 New Construction and Substantial Rehabilitation</b>	<b>Total</b>
<b>ASSETS</b>						
Current Assets:						
Cash	\$309,237	\$0	\$5,649	\$64,475	\$39,702	\$419,063
Tenant Accounts Receivable	82,788	0	0	0	0	82,788
Allowance for Doubtful Accounts - Dwelling Ren	(43,000)	0	0	0	0	(43,000)
Accounts Receivable - HUD	0	0	983,382	0	0	983,382
Accounts Receivable - Miscellaneous	138,285	0	0	42,192	0	180,477
Accrued Interest	770	0	0	0	0	770
Prepaid Expenses	91,392	0	0	30,902	0	122,294
Inventory	200,847	0	0	0	0	200,847
Allowance for Obsolete Inventories	(40,627)	0	0	0	0	(40,627)
Interprogram Due From	15,844	0	0	12,682	0	28,526
<b>Total Current Assets</b>	<b>755,536</b>	<b>0</b>	<b>989,031</b>	<b>150,251</b>	<b>39,702</b>	<b>1,934,520</b>
Noncurrent Assets:						
Land	874,365	0	0	4,000	0	878,365
Buildings	53,154,834	0	2,073,696	286,525	0	55,515,055
Furniture, Equipment and Machinery - Dwellings	1,555,374	0	0	0	0	1,555,374
Furniture, Equipment and Machinery - Administ	1,239,766	0	0	135,684	0	1,375,450
Accumulated Depreciation	(37,344,339)	0	(78,931)	(142,434)	0	(37,565,704)
Construction In Progress	0	0	5,166,274	0	0	5,166,274
<b>Total Noncurrent Assets</b>	<b>19,480,000</b>	<b>0</b>	<b>7,161,039</b>	<b>283,775</b>	<b>0</b>	<b>26,924,814</b>
<b>Total Assets</b>	<b>\$20,235,536</b>	<b>\$0</b>	<b>\$8,150,070</b>	<b>\$434,026</b>	<b>\$39,702</b>	<b>\$28,859,334</b>
<b>LIABILITIES AND EQUITY</b>						
Current Liabilities:						
Accounts Payable	\$107,843	\$0	\$5,649	\$3,338	\$0	\$116,830
Accounts Payable - Other Government	52,206	0	0	0	0	52,206
Accounts Payable - PHA Programs	0	0	0	82,335	27,020	109,355
Accrued Wages	59,692	0	0	0	0	59,692
Accrued Compensated Absences	30,700	0	0	6,374	0	37,074
Tenant Security Deposits	66,906	0	0	0	0	66,906
Deferred Revenue	72,736	0	0	0	0	72,736
Other Current Liabilities	35,044	0	974,218	50,000	0	1,059,262
Interprogram Due To	0	0	9,164	6,680	12,682	28,526
<b>Total Current Liabilities</b>	<b>425,127</b>	<b>0</b>	<b>989,031</b>	<b>148,727</b>	<b>39,702</b>	<b>1,602,587</b>
Noncurrent Liabilities:						
Accrued Compensated Absences	173,967	0	0	36,119	0	210,086
Other Noncurrent Liabilities	0	0	0	8,167	0	8,167
<b>Total NonCurrent Liabilities</b>	<b>173,967</b>	<b>0</b>	<b>0</b>	<b>44,286</b>	<b>0</b>	<b>218,253</b>
<b>Total Liabilities</b>	<b>599,094</b>	<b>0</b>	<b>989,031</b>	<b>193,013</b>	<b>39,702</b>	<b>1,820,840</b>
Equity:						
Contributed Capital	24,338,115	0	0	0	0	24,338,115
Retained (Deficit) Earnings	(4,701,673)	0	7,161,039	241,013	0	2,700,379
<b>Total Equity</b>	<b>19,636,442</b>	<b>0</b>	<b>7,161,039</b>	<b>241,013</b>	<b>0</b>	<b>27,038,494</b>
<b>Total Liabilities and Equity</b>	<b>\$20,235,536</b>	<b>\$0</b>	<b>\$8,150,070</b>	<b>\$434,026</b>	<b>\$39,702</b>	<b>\$28,859,334</b>

**Trumbull Metropolitan Housing Authority**  
**Schedule of Revenues and Expenses by Program**  
**For the Fiscal Year Ended June 30, 2003**

	Low-Rent Public Housing	Drug Elimination Program	Capital Fund Program	Section 8 Choice Voucher	Section 8 New Construction and Substantial Rehabilitation	Total
<u>Operating Revenues</u>						
HUD Grants	\$2,631,605	\$305,546	\$4,117,729	\$3,857,322	\$319,279	\$11,231,481
Tenant Rental Income	1,466,559	0	0	0	0	1,466,559
Other Tenant Revenue	10,319	0	0	0	0	10,319
Other Operating Revenue	58,728	0	0	3,227	0	61,955
<b>Total Operating Revenues</b>	<b>4,167,211</b>	<b>305,546</b>	<b>4,117,729</b>	<b>3,860,549</b>	<b>319,279</b>	<b>12,770,314</b>
<u>Operating Expenses</u>						
Housing Assistance Payments	0	0	0	3,363,462	303,382	3,666,844
Administrative Salaries	593,132	0	0	385,593	0	978,725
Auditing Fees	17,201	0	0	3,695	250	21,146
Employee Benefit Contributions - Administrat	304,365	0	0	174,173	0	478,538
Other Operating - Administrative	200,619	305,546	632,592	102,316	15,772	1,256,845
Utilities	920,946	0	0	0	0	920,946
Labor - Maintenance	758,688	0	0	0	0	758,688
Materials and Other - Maintenance	373,289	0	0	0	0	373,289
Contract Costs - Maintenance	744,708	0	0	0	0	744,708
Employee Benefit Contributions - Maintenan	389,324	0	0	0	0	389,324
Insurance Premiums	194,055	0	0	49,213	0	243,268
Payment in Lieu of Taxes	52,762	0	0	0	0	52,762
Bad Debt - Tenant Rents	17,330	0	0	0	0	17,330
Severance	4,870	0	0	0	0	4,870
Depreciation	2,403,444	0	78,932	31,884	0	2,514,260
Other General Operating Expenses	745	0	0	1,745	0	2,490
<b>Total Operating Expenses</b>	<b>6,975,478</b>	<b>305,546</b>	<b>711,524</b>	<b>4,112,081</b>	<b>319,404</b>	<b>12,424,033</b>
<b>Operating Income (Loss)</b>	<b>(2,808,267)</b>	<b>0</b>	<b>3,406,205</b>	<b>(251,532)</b>	<b>(125)</b>	<b>346,281</b>
<u>Nonoperating Revenues (Expenses)</u>						
Investment Income	13,556	0	0	5,544	125	19,225
Capital Contributions	559,799	0	0	0	0	559,799
Casualty Losses	(17,346)	0	0	0	0	(17,346)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>556,009</b>	<b>0</b>	<b>0</b>	<b>5,544</b>	<b>125</b>	<b>561,678</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(2,252,258)</b>	<b>0</b>	<b>3,406,205</b>	<b>(245,988)</b>	<b>0</b>	<b>907,959</b>
<u>Other Financing Sources (Uses)</u>						
Operating Transfers In	32,161	0	0	0	0	32,161
Operating Transfers Out	0	0	(32,161)	0	0	(32,161)
<b>Net Income (Loss)</b>	<b>(2,220,097)</b>	<b>0</b>	<b>3,374,044</b>	<b>(245,988)</b>	<b>0</b>	<b>907,959</b>
Retained Earnings (Deficit) - Beginning of Fiscal Year	(2,481,576)	0	3,786,995	975,713	0	2,281,132
Prior Period Adjustment, Equity Transfer	0	0	0	(488,712)	0	(488,712)
<b>Retained Earnings (Deficit) - End of Fiscal Year</b>	<b>(4,701,673)</b>	<b>0</b>	<b>7,161,039</b>	<b>241,013</b>	<b>0</b>	<b>2,700,379</b>
Contributed Capital - Beginning of Fiscal Year	24,338,115	0	0	0	0	24,338,115
Contributed Capital - End of Fiscal Year	24,338,115	0	0	0	0	24,338,115
<b>Total Equity - End of Fiscal Year</b>	<b>\$19,636,442</b>	<b>\$0</b>	<b>\$7,161,039</b>	<b>\$241,013</b>	<b>\$0</b>	<b>\$27,038,494</b>



**Trumbull Metropolitan Housing Authority**  
**Schedule of Units Under Management**  
**For the Fiscal Year Ended June 30, 2003**

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The Authority had 2,585 units under management.

<u>Management</u>	<u>Units</u>
Low-Rent Public Housing	1,361
Section 8 Rental Voucher Program	814
Section 8 New Construction and Substantial Rehabilitation	410

**Trumbull Metropolitan Housing Authority**  
**Statement of Actual Modernization of Cost Certificate**  
**June 30, 2003**

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	Capital Fund Program <u>OH12-P008-50102</u>
Total Amount of Actual Modernization Cost	
Original Funds Approved	\$3,212,402
Funds Disbursed	<u>(3,212,402)</u>
Amount to be Recaptured	<u><u>\$0</u></u>
Original Funds Approved	\$3,212,402
Funds Expended (Actual Modernization Cost)	<u>(3,212,402)</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  
4076 Youngstown 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, 2003, and have issued our report thereon dated January 30, 2004. 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 an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated January 30, 2004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to management of the Authority, in a separate letter dated January 30, 2004.

**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)**

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.

A handwritten signature in black ink, appearing to read 'G. B. Fink', written in a cursive style.

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

January 30, 2004

**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  
4076 Youngstown 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, 2003. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. 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, 2003.

**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

January 30, 2004

**TRUMBULL METROPOLITAN HOUSING AUTHORITY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**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?	No
(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  
OMB CIRCULAR A-133 §505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

(d)(1)(vii)	Major Programs:	Public & Indian Housing, CFDA #14.850
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 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**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
JUNE 1, 2004**