

Warren Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Warren Metropolitan Housing Authority, Warren County, prepared by Salvatore Consiglio, CPA, Inc. for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 5, 2005

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WARREN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

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Independent Auditors' Report

Board of Directors
Warren Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying basic financial statements of Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Warren Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Warren Metropolitan Housing Authority, Ohio, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 8, 2005, on my consideration of Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

My Audit was performed for the purpose of forming and opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Warren Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

June 8, 2005

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004**

Unaudited

As management of the Warren Metropolitan Housing Authority, we offer readers of the authority's financial statements this narrative overview and analysis of the financial activity of the authority for the year-ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the authority's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The assets of the authority exceeded its liabilities as of December 31, 2004 by \$14,194,283 (net assets).
- The authority's cash balance as of December 31, 2004 was \$936,353 representing an increase of \$29,919 from December 31, 2004.
- The authority had intergovernmental revenue of \$3,544,137 in operating grants and \$282,976 of capital grants for the year-ended December 31, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included within this report:

- Statement of Net Assets - reports the authority's current financial resources (short term expendable resources) with capital assets and long-term debt obligations.
- Statement of Revenue, Expenses, and Change in Fund Net Assets - reports the authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital Contributions.
- Statement of Cash Flows - reports net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004**

Unaudited

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)

Total Assets decreased by \$227,230. Specifically, **Cash** decreased by \$29,919 and **Capital Assets** decreased by \$234,856.

Current Assets increased by \$37,545 due mainly to a \$85,809 increase in HUD receivable for Grant expenditures that will be reimbursed in FYE 2005.

Total Liabilities decreased by \$7,814 due to a \$14,038 decrease in HUD payables.

The following table summarizes the change in Net Assets between December 31, 2004 and 2003 for the authority as a whole:

	2004	Restated 2003	Net Change	% Change
Cash	\$ 936,353	\$ 966,272	\$ (29,919)	-3.10%
Current Assets	337,522	299,977	37,545	12.52%
Capital Assets	13,234,359	13,469,215	(234,856)	-1.74%
Total Assets	\$ 14,508,234	\$ 14,735,464	\$ (227,230)	-1.54%
Current Liabilities	\$ 290,347	\$ 167,939	\$ 122,408	72.89%
Non-Current Liabilities	23,604	153,826	(130,222)	-84.66%
Total Liabilities	\$ 313,951	\$ 321,765	\$ (7,814)	-2.43%
Invested in Capital Assets, Net of Debt	\$ 13,234,359	\$ 13,469,215	\$ (234,856)	-1.74%
Unrestricted Net Assets	959,924	944,484	15,440	1.63%
Total Net Assets	\$ 14,194,283	\$ 14,413,699	\$ (219,416)	-1.52%

The 2003 financials were restated to eliminate interprogram payables and receivables of \$484,368.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004**

Unaudited

Comparatively, FYE 2004 operating revenue decreased by \$2,133,131 as compared to fiscal year ending 2003 operating revenue. Capital Grant revenue for the development was the driving force behind the decrease.

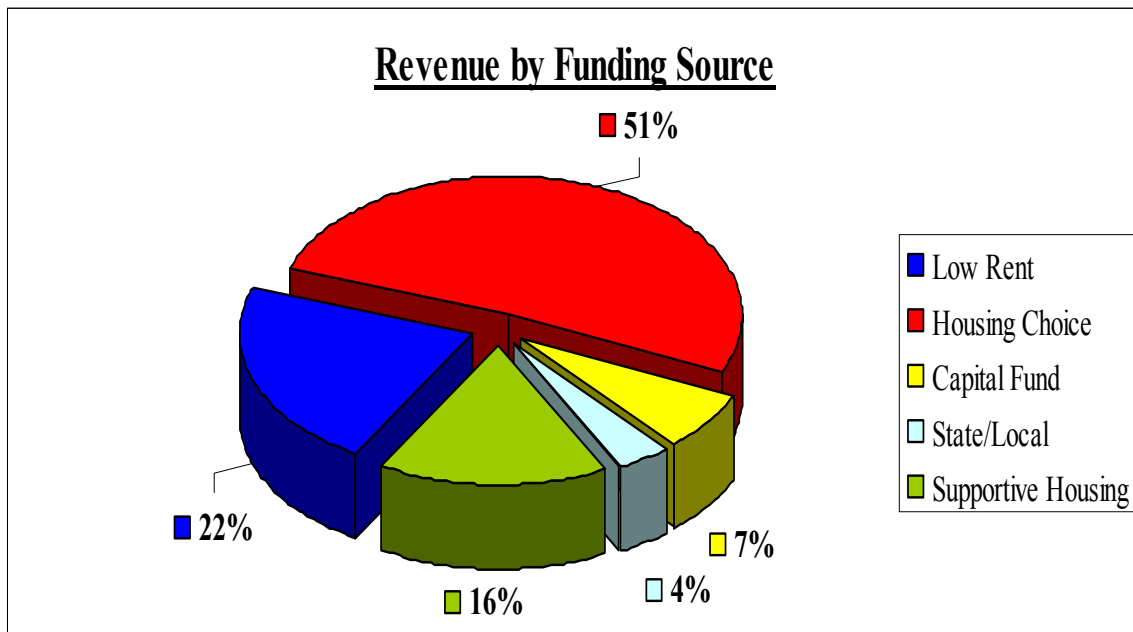
Comparatively, FYE 2004 total expense exceeded FYE 2003 total expenses by \$81,761. This increase was due to normal operating activity that was the result of inflection.

The following table summarizes the changes in operating revenue income between FYE 2004 and 2003 for the authority as a whole:

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>	<u>% Change</u>
Tenant Rental Revenue	\$ 419,925	\$ 369,131	\$ 50,794	13.76%
HUD PHA Operating Grants	3,393,277	3,629,553	(236,276)	-6.51%
Other Governmental Grants	150,860	77,128	73,732	95.60%
Capital Grants	282,976	2,242,585	(1,959,609)	-87.38%
Investment Income	2,799	5,288	(2,489)	-47.07%
Other Income	98,954	158,237	(59,283)	-37.46%
Total Revenue	<u>4,348,791</u>	<u>6,481,922</u>	<u>(2,133,131)</u>	<u>-32.91%</u>
Operating Expenses:				
Administrative	591,900	712,023	(120,123)	-16.87%
Tenant Services	260,109	161,806	98,303	60.75%
Utilities	82,732	81,313	1,419	1.75%
Maintenance	406,030	242,989	163,041	67.10%
General	208,147	194,196	13,951	7.18%
Non-routine	24,964	8,795	16,169	183.84%
Housing Assistance Payments	2,429,427	2,605,749	(176,322)	-6.77%
Depreciation	564,898	479,575	85,323	17.79%
Total Expenses	<u>4,568,207</u>	<u>4,486,446</u>	<u>81,761</u>	<u>1.82%</u>
Net Income/(Loss)	<u>\$ (219,416)</u>	<u>\$ 1,995,476</u>	<u>\$ (2,214,892)</u>	<u>-111.00%</u>

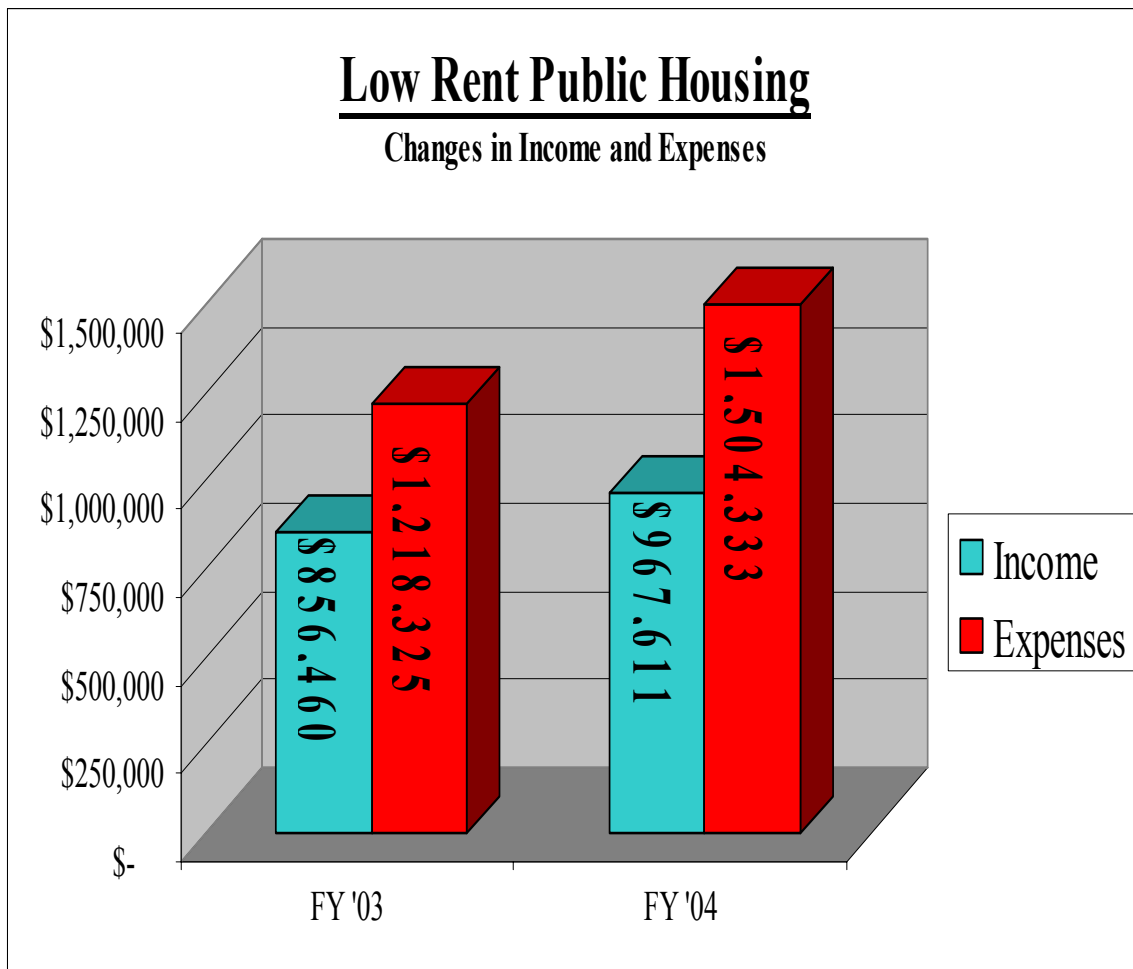
Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004

Unaudited



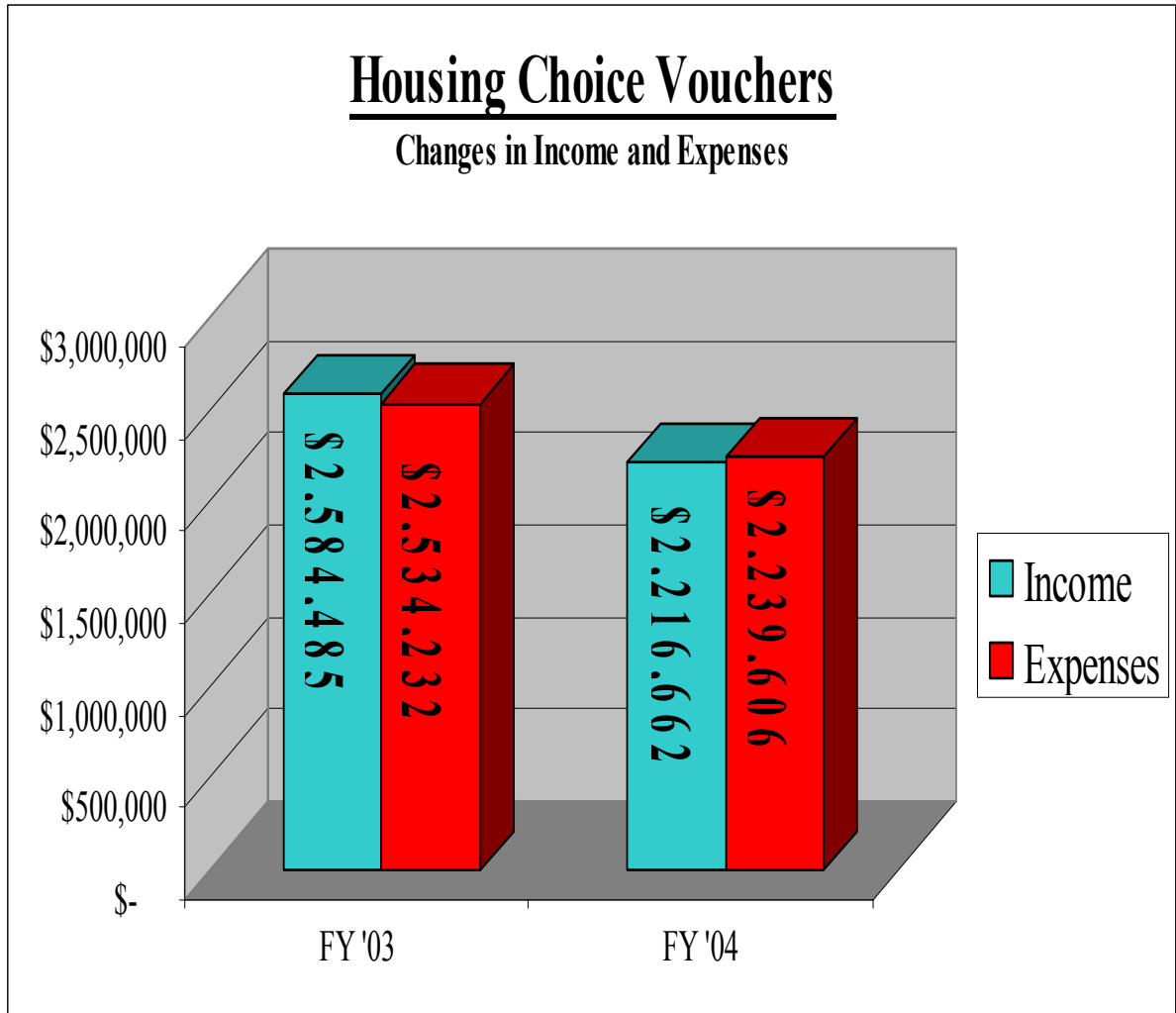
Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004

Unaudited



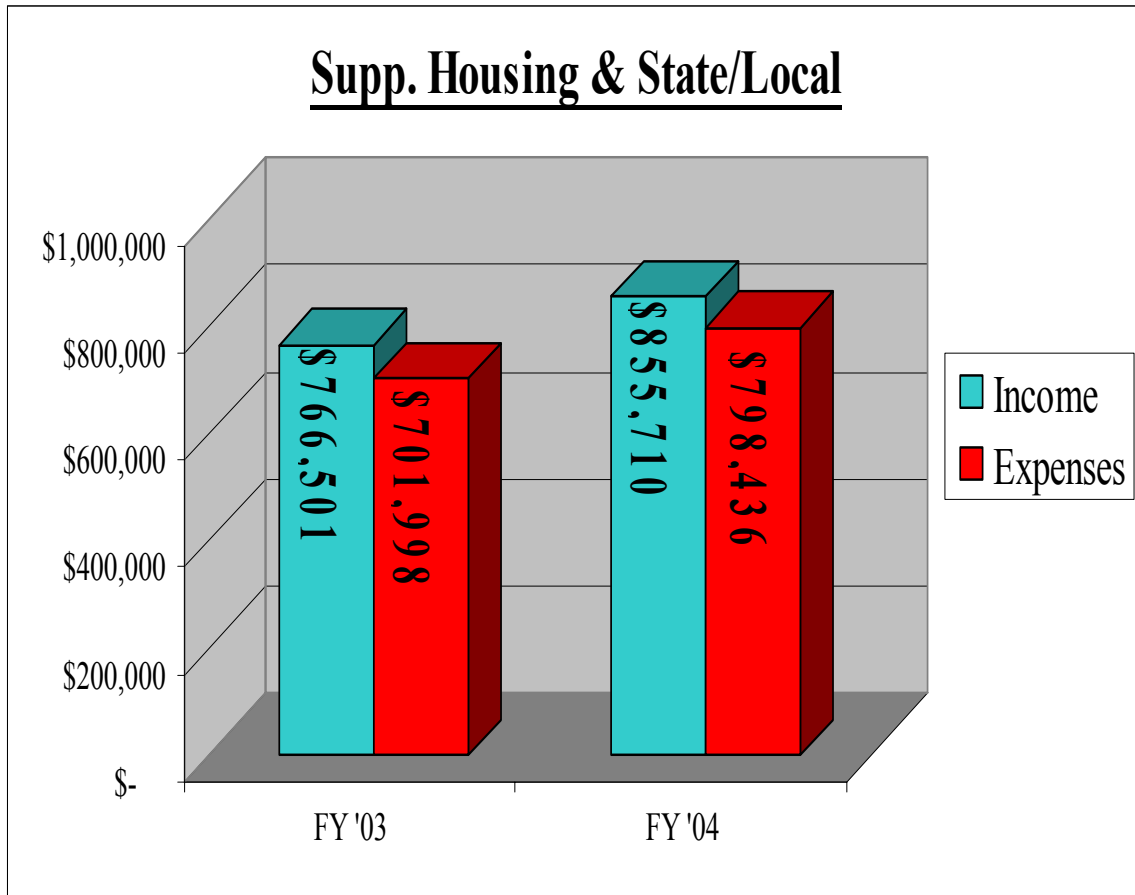
Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004

Unaudited



Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004

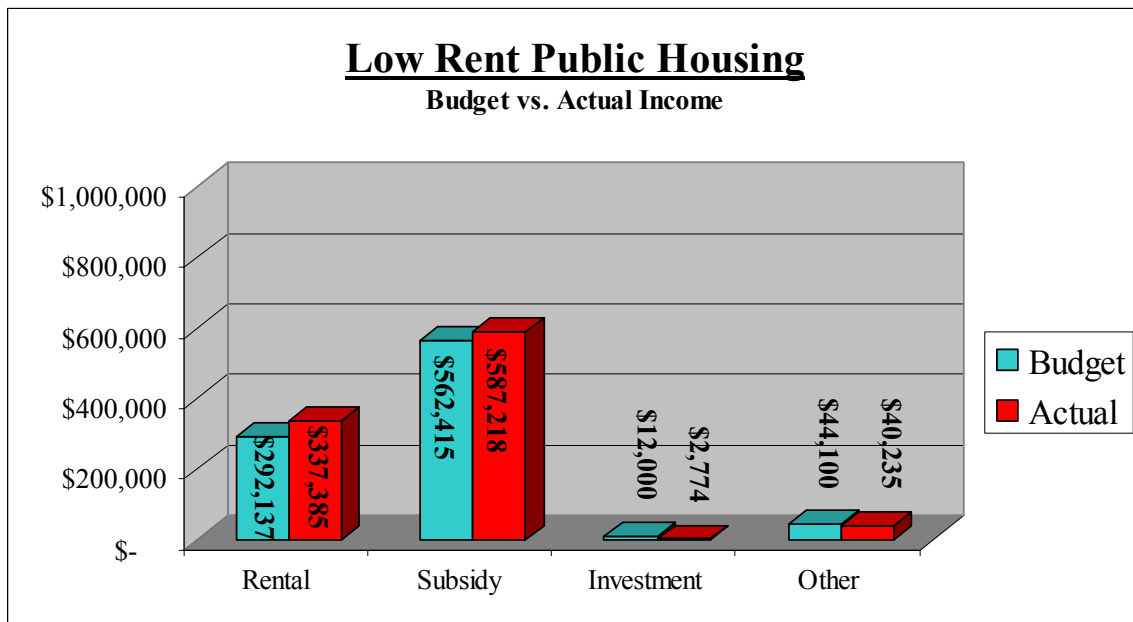
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**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004**

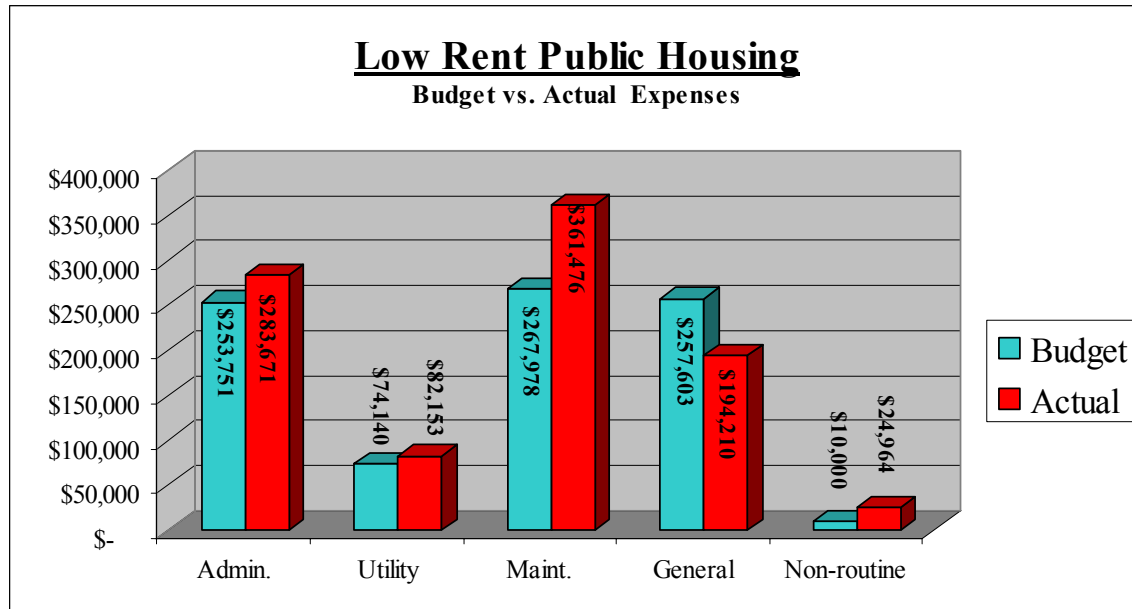
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<u>Low Rent Public Housing</u>	<u>Budget</u>	<u>Actual</u>	<u>Net Variance</u>	<u>% Variance</u>
Dwelling Rental	\$ 292,137	\$ 337,385	\$ 45,248	15.49%
Tenant Revenue - Other	0	0	0	0.00%
Operating Subsidy	562,415	587,218	24,803	4.41%
Investment Income	12,000	2,774	-9,226	-76.88%
Other Income	44,100	40,235	-3,865	-8.76%
Total Operating Revenue	<u>910,652</u>	<u>967,612</u>	<u>56,960</u>	<u>6.25%</u>
Operating Expenses:				
Administrative	253,751	283,671	29,920	11.79%
Tenant Services	0	0	0	0.00%
Utilities	74,140	82,153	8,013	10.81%
Maintenance	267,978	361,476	93,498	34.89%
General	257,603	194,210	-63,393	-24.61%
Extraordinary Maintenance	10,000	24,964	14,964	149.64%
Total Operating Expenditures	<u>863,472</u>	<u>946,474</u>	<u>83,002</u>	<u>9.61%</u>
Net Income/(Loss)	<u>\$ 47,180</u>	<u>\$ 21,138</u>	<u>\$ (26,042)</u>	<u>55.20%</u>



**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004**

Unaudited

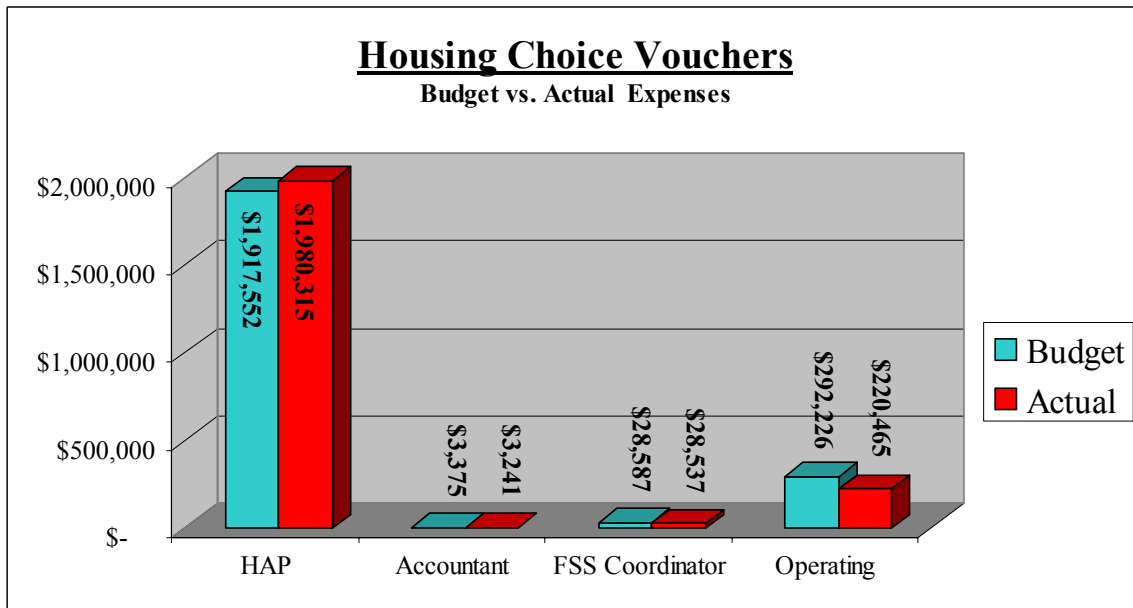
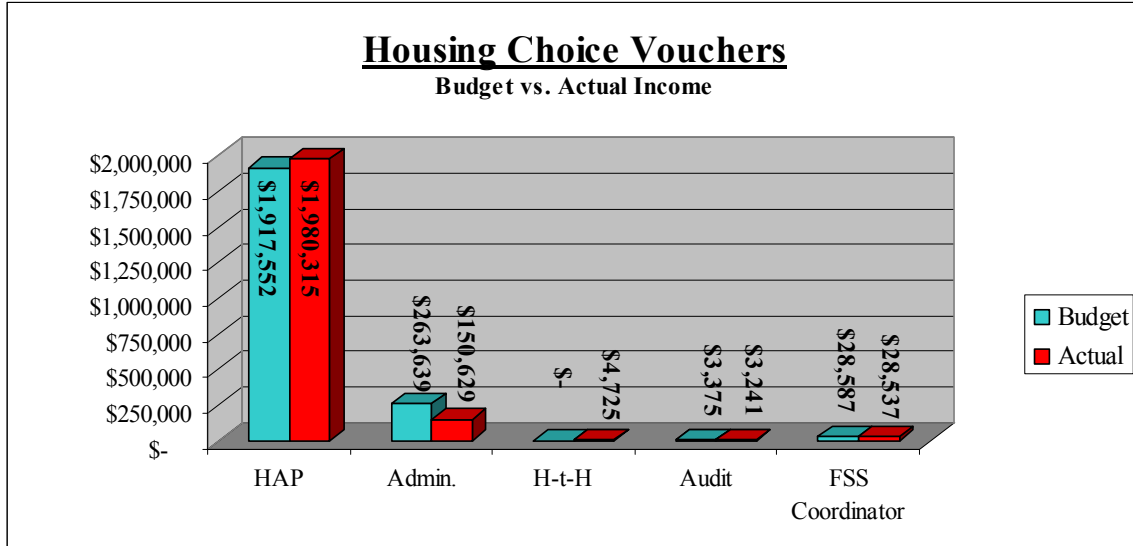


Housing Choice Voucher

<u>Housing Choice Voucher</u>	<u>Budget</u>	<u>Actual</u>	<u>Net Variance</u>	<u>% Variance</u>
HUD Subsidy	\$ 2,213,153	\$ 2,167,447	\$ (45,706)	-2.07%
Investment Income	0	0	0	100.00%
Other Revenue	0	25	25	100.00%
Total Revenue	2,213,153	2,167,472	(45,681)	-2.06%
Operating Expenditures:				
Housing Assistance Payments	1,917,552	1,980,315	62,763	3.27%
Administrative	295,601	206,489	(89,112)	-30.15%
Maintenance	0	43,904	43,904	100.00%
General	0	1,850	1,850	100.00%
Total Expenditures	2,213,153	2,232,558	19,405	0.88%
Net Income/(Deficit)	\$ -	\$ (65,086)	\$ (65,086)	100.00%

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004**

Unaudited



**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2004**

Unaudited

CAPITAL ASSET & DEBT ADMINISTRATION

The following table summarizes the changes in capital assets between December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>	<u>% Change</u>
Land	\$ 1,638,444	\$ 1,638,444	\$ -	0.00%
Buildings	16,291,913	14,003,446	2,288,467	16.34%
Equipment - Dwellings	18,520	18,521	(1)	-0.01%
Equipment - Admin	397,672	392,039	5,633	1.44%
Leasehold Improvements	-	-	-	0.00%
Construction in Progress	537,625	2,501,682	(1,964,057)	100.00%
Total Capital Assets	18,884,174	18,554,132	330,042	1.78%
Accumulated Depreciation	(5,649,815)	(5,084,917)	(564,898)	-11.11%
Net Capital Assets	<u>\$ 13,234,359</u>	<u>\$ 13,469,215</u>	<u>\$ (234,856)</u>	<u>-1.74%</u>

DEBIT

As of year-end, the Authority had no debt outstanding.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

CONTACTING THE AUTHORITY

This financial report is designed to provide a general overview of the authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Executive Director, Warren Metropolitan Housing Authority, 990 East Ridge Drive, Lebanon, Ohio 45036-1678.

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2004

ASSETS

Current assets

Cash and cash equivalents	\$936,353
Receivables, net	303,316
Prepaid expenses and other assets	34,206
Total current assets	<u>1,273,875</u>

Noncurrent assets

Capital assets:	
Land	1,638,444
Building and equipment	16,708,105
Construction in Progress	537,625
Less accumulated depreciation	<u>(5,649,815)</u>
Total noncurrent assets	<u>13,234,359</u>
Total assets	<u><u>\$14,508,234</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$49,635
Accrued liabilities	87,621
Intergovernmental payables	25,523
Tenant security deposits	52,450
Deferred revenue	1,564
Other current liabilities	<u>73,554</u>
Total current liabilities	<u>290,347</u>

Noncurrent liabilities

Accrued compensated absences non-current	<u>23,604</u>
Total noncurrent liabilities	<u>23,604</u>
Total liabilities	<u><u>\$313,951</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2004

NET ASSETS

Invested in capital assets, net of related debt	\$13,234,359
Unrestricted net assets	959,924
Total net assets	<u>\$14,194,283</u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

OPERATING REVENUES

Tenant Revenue	\$419,925
Government operating grants	3,544,137
Other revenue	98,954
Total operating revenues	<u>4,063,016</u>

OPERATING EXPENSES

Administrative	591,900
Tenant services	260,109
Utilities	82,732
Maintenance	425,870
General	208,147
Housing assistance payment	2,429,427
Other operating expenses	5,124
Depreciation	564,898
Total operating expenses	<u>4,568,207</u>
Operating income (loss)	<u>(505,191)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	<u>2,799</u>
Total nonoperating revenues (expenses)	<u>2,799</u>
Income (loss) before contributions and transfers	(502,392)
Capital grants	<u>282,976</u>
Change in net assets	(219,416)
Total net assets - beginning	<u>14,413,699</u>
Total net assets - ending	<u><u>\$14,194,283</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$394,380
Operating grant received	3,544,137
Other revenue received	98,954
Cash Paid for general and administrative expenses	(1,593,696)
Cash Paid for housing assistance	(2,429,427)
Net Cash provided by operating activities	<u>14,348</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	2,799
Net Cash provided by investing activities	<u>2,799</u>

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES:

Capital grant received	282,976
Purchase of Assets	(330,042)
Net Cash used in capital and related activities	<u>(47,066)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,919)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>966,272</u>

CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>\$936,353</u></u>
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RECONCILIATION OF NET INCOME CASH PROVIDED BY OPERATING ACTIVITIES:

Net income	(\$505,191)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	564,898
Increase in accounts receivable	(39,837)
Decrease in Prepaid expenses	12,215
Increase in other receivable	(9,923)
Increase in accounts payable	11,196
Increase in compensated absences	11,304
Decrease in other liabilities	(30,314)

Net cash provided by operating activities	<u>\$14,348</u>
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The accompanying notes to the basic financial statements are an integral part of these statements.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Warren Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

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

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued After November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

The following are the various programs which are included in the single enterprise fund:

A. **Public Housing Program**

The public housing program is designed to provide low-cost housing within the Warren County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. **Capital Fund Program**

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. **Supportive Housing for Persons with Disabilities**

The Supportive Housing for Persons with Disabilities is a HUD funded program to provide tenant-based rental assistance to low income persons with disabilities for payment of housing on the private market.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2004 totaled \$2,799.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Cash and Cash Equivalents

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

Compensated Absences

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

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WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: DEPOSITS

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

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

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 2: DEPOSITS (Continued)

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$966,480	\$966,480	\$0	\$0	\$936,353
Total Deposits	\$966,480	\$966,480	\$0	\$0	\$936,353

The carrying amount above include \$300 of petty cash.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2004 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 4: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary:

Land	\$1,638,444
Buildings	16,291,913
Furniture, Machinery and Equipment	416,192
Construction in Progress	537,625
Total Capital Assets	18,884,174
Accumulated Depreciation	(5,649,815)
Net Capital Assets	\$13,234,359

The following is a summary of changes:

	Balance 12/31/03	Adjust.	Additions	Deletion	Balance 12/31/04
Land	\$1,638,444	\$0	\$0	\$0	\$1,638,444
Buildings	14,003,446	2,247,033	41,434	0	16,291,913
Furn., Mach. and Equip.	410,560	0	5,632	0	416,192
Construction in Progress	2,501,682	(2,247,033)	282,976	0	537,625
Total Capital Assets	\$18,554,132	\$0	\$330,042	\$0	\$18,884,174

The depreciation expense for the year ended December 31, 2004 was \$564,898.

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

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended December 31, 2004, 2003 and 2002 were \$86,394, \$81,737, and \$74,996 respectively. The full amount has been contributed for 2003 and 2002. Eighty-two percent has been contributed for 2004, with the remainder being reported as a liability with the enterprise fund.

**NOTE 7: POST EMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$31,880. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 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 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

**NOTE 7: POST EMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. 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.

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$117,940	\$457,192	\$0	\$221,807	\$0	\$20,976	\$817,915
115	Cash - Restricted for Payment of Current Liabilities	\$0	\$29,477	\$0	\$41,083	\$0	\$0	\$70,560
114	Cash - Tenant Security Deposits	\$0	\$47,878	\$0	\$0	\$0	\$0	\$47,878
100	Total Cash	\$117,940	\$534,547	\$0	\$262,890	\$0	\$20,976	\$936,353
122	Accounts Receivable - HUD Other Projects	\$146,208	\$0	\$0	\$46,189	\$48,024	\$0	\$240,421
126	Accounts Receivable - Tenants - Dwelling Rents	\$2,599	\$19,830	\$0	\$0	\$0	\$462	\$22,891
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$10,907)	\$0	\$0	\$0	\$0	(\$10,907)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$50,911	\$0	\$0	\$50,911
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$148,807	\$8,923	\$0	\$97,100	\$48,024	\$462	\$303,316
142	Prepaid Expenses and Other Assets	\$2,534	\$29,140	\$0	\$2,532	\$0	\$0	\$34,206
144	Interprogram Due From	\$48,314	\$157,662	\$0	\$0	\$0	\$45,108	\$251,084
150	Total Current Assets	\$317,595	\$730,272	\$0	\$362,522	\$48,024	\$66,546	\$1,524,959
161	Land	\$0	\$1,638,444	\$0	\$0	\$0	\$0	\$1,638,444
162	Buildings	\$0	\$16,291,913	\$0	\$0	\$0	\$0	\$16,291,913
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$18,521	\$0	\$0	\$0	\$0	\$18,521
164	Furniture, Equipment & Machinery - Administration	\$34,038	\$259,618	\$0	\$97,961	\$0	\$6,054	\$397,671
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	(\$34,038)	(\$5,594,171)	\$0	(\$15,552)	\$0	(\$6,054)	(\$5,649,815)

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
167	Construction In Progress	\$0	\$0	\$0	\$0	\$537,625	\$0	\$537,625
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$12,614,325	\$0	\$82,409	\$537,625	\$0	\$13,234,359
180	Total Non-Current Assets	\$0	\$12,614,325	\$0	\$82,409	\$537,625	\$0	\$13,234,359
190	Total Assets	\$317,595	\$13,344,597	\$0	\$444,931	\$585,649	\$66,546	\$14,759,318
312	Accounts Payable <= 90 Days	\$970	\$48,665	\$0	\$0	\$0	\$0	\$49,635
321	Accrued Wage/Payroll Taxes Payable	\$5,781	\$12,228	\$0	\$15,942	\$0	\$138	\$34,089
322	Accrued Compensated Absences - Current Portion	\$638	\$888	\$0	\$792	\$0	\$303	\$2,621
333	Accounts Payable - Other Government	\$0	\$25,523	\$0	\$0	\$0	\$0	\$25,523
341	Tenant Security Deposits	\$0	\$52,450	\$0	\$0	\$0	\$0	\$52,450
342	Deferred Revenues	\$519	\$953	\$0	\$0	\$0	\$92	\$1,564
345	Other Current Liabilities	\$0	\$32,471	\$0	\$41,083	\$0	\$0	\$73,554
346	Accrued Liabilities - Other	\$0	\$0	\$0	\$50,911	\$0	\$0	\$50,911
347	Interprogram Due To	\$0	\$0	\$0	\$203,060	\$48,024	\$0	\$251,084
310	Total Current Liabilities	\$7,908	\$173,178	\$0	\$311,788	\$48,024	\$533	\$541,431
354	Accrued Compensated Absences - Non Current	\$5,748	\$7,999	\$0	\$7,130	\$0	\$2,727	\$23,604
350	Total Noncurrent Liabilities	\$5,748	\$7,999	\$0	\$7,130	\$0	\$2,727	\$23,604
300	Total Liabilities	\$13,656	\$181,177	\$0	\$318,918	\$48,024	\$3,260	\$565,035

Warren Metropolitan Housing Authority
 Combining Balance Sheet
 FDS Schedule Submitted To REAC
 Proprietary Fund Type – Enterprise Fund
 December 31, 2004

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$12,614,325	\$0	\$82,409	\$537,625	\$0	\$13,234,359
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$303,939	\$549,095	\$0	\$43,604	\$0	\$63,286	\$959,924
513	Total Equity/Net Assets	\$303,939	\$13,163,420	\$0	\$126,013	\$537,625	\$63,286	\$14,194,283
600	Total Liabilities and Equity/Net Assets	\$317,595	\$13,344,597	\$0	\$444,931	\$585,649	\$66,546	\$14,759,318

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$70,066	\$337,385	\$0	\$0	\$0	\$12,474	\$419,925
705	Total Tenant Revenue	\$70,066	\$337,385	\$0	\$0	\$0	\$12,474	\$419,925
706	HUD PHA Operating Grants	\$612,780	\$587,218	\$0	\$2,167,447	\$25,832	\$0	\$3,393,277
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$282,976	\$0	\$282,976
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$150,860	\$150,860
711	Investment Income - Unrestricted	\$0	\$2,774	\$0	\$25	\$0	\$0	\$2,799
715	Other Revenue	\$8,091	\$40,234	\$0	\$49,190	\$0	\$1,439	\$98,954
700	Total Revenue	\$690,937	\$967,611	\$0	\$2,216,662	\$308,808	\$164,773	\$4,348,791
911	Administrative Salaries	\$14,865	\$124,784	\$0	\$95,089	\$25,832	\$12,807	\$273,377
912	Auditing Fees	\$851	\$5,510	\$0	\$3,241	\$0	\$151	\$9,753
914	Compensated Absences	\$0	\$3,163	\$0	\$9,785	\$0	\$0	\$12,948
915	Employee Benefit Contributions - Administrative	\$5,686	\$38,895	\$0	\$39,808	\$0	\$588	\$84,977
916	Other Operating - Administrative	\$32,333	\$111,319	\$0	\$58,566	\$0	\$8,627	\$210,845
921	Tenant Services - Salaries	\$154,734	\$0	\$0	\$0	\$0	\$11,044	\$165,778
923	Employee Benefit Contributions - Tenant Services	\$39,379	\$0	\$0	\$0	\$0	\$4,187	\$43,566
924	Tenant Services - Other	\$48,131	\$0	\$0	\$0	\$0	\$2,634	\$50,765
931	Water	\$434	\$26,580	\$0	\$0	\$0	\$145	\$27,159
932	Electricity	\$0	\$46,367	\$0	\$0	\$0	\$0	\$46,367
933	Gas	\$0	\$9,206	\$0	\$0	\$0	\$0	\$9,206
941	Ordinary Maintenance and Operations - Labor	\$0	\$169,102	\$0	\$30,285	\$0	\$0	\$199,387
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$56,148	\$0	\$941	\$0	\$0	\$57,089

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
943	Ordinary Maintenance and Operations - Contract Costs	\$552	\$83,518	\$0	\$0	\$0	\$98	\$84,168
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$52,708	\$0	\$12,678	\$0	\$0	\$65,386
961	Insurance Premiums	\$10,254	\$138,896	\$0	\$1,850	\$0	\$1,824	\$152,824
963	Payments in Lieu of Taxes	\$0	\$25,523	\$0	\$0	\$0	\$0	\$25,523
964	Bad Debt - Tenant Rents	\$0	\$29,791	\$0	\$9	\$0	\$0	\$29,800
969	Total Operating Expenses	\$307,219	\$921,510	\$0	\$252,252	\$25,832	\$42,105	\$1,548,918
970	Excess Operating Revenue over Operating Expenses	\$383,718	\$46,101	\$0	\$1,964,410	\$282,976	\$122,668	\$2,799,873
971	Extraordinary Maintenance	\$0	\$19,840	\$0	\$0	\$0	\$0	\$19,840
972	Casualty Losses - Non-Capitalized	\$0	\$5,124	\$0	\$0	\$0	\$0	\$5,124
973	Housing Assistance Payments	\$335,014	\$0	\$0	\$1,980,315	\$0	\$114,098	\$2,429,427
974	Depreciation Expense	\$0	\$557,859	\$0	\$7,039	\$0	\$0	\$564,898
900	Total Expenses	\$642,233	\$1,504,333	\$0	\$2,239,606	\$25,832	\$156,203	\$4,568,207
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$48,704	(\$536,722)	\$0	(\$22,944)	\$282,976	\$8,570	(\$219,416)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$255,235	\$11,390,741	\$1,837,737	\$148,957	\$726,313	\$54,716	\$14,413,699
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$2,309,401	(\$1,837,737)	\$0	(\$471,664)	\$0	\$0
	Ending Equity	\$303,939	\$13,163,420	\$0	\$126,013	\$537,625	\$63,286	\$14,194,283

Warren Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$2,348,479	\$0	\$0	\$2,348,479
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$100,304	\$0	\$0	\$100,304
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$2,448,783	\$0	\$0	\$2,448,783
1120	Unit Months Available	600	2,484	0	5,376	0	96	8,556
1121	Number of Unit Months Leased	600	2,455	0	5,296	0	96	8,447

Warren Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$587,218
Housing Choice Voucher Program	14.871	2,167,447
Public Housing Capital Fund Program	14.872	308,808
Supportive Housing by Person with Disabilities	14.181	<u>612,780</u>
 Total Expenditure of Federal Award		 <u>\$3,676,253</u>



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

Board of Directors
Warren Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the basic financial statements of the Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated June 8, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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



Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.

June 8, 2005



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

Board of Directors
Warren Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Warren Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. Warren Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Warren Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Warren Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Warren Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Warren Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Warren Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Salvatore Consiglio, CPA, Inc.

June 8, 2005

Warren Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.871 - Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no Findings or questioned costs for the year ended December 31, 2004.

3. FINDINGS REALTED TO FEDERAL AWARDS

There are no Findings or questioned costs for the year ended December 31, 2004.

Warren Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2004

The audit report for the fiscal year ending December 31, 2003 contained no audit finding.



**Auditor of State
Betty Montgomery**

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WARREN METROPOLITAN HOUSING AUTHORITY

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2005**