

Warren Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Warren Metropolitan Housing Authority, Warren County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2005 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 20, 2006

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WARREN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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Independent Auditors' Report

Board of Directors
Warren Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Warren Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Warren Metropolitan Housing Authority, Ohio, as of December 31, 2005, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 3, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Warren Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. 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.

A handwritten signature in black ink, reading "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

August 3, 2006

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2005**

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, 2005. We encourage readers to consider the information presented here in conjunction with the authority's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the authority exceeded its liabilities as of December 31, 2005 by \$14,272,858 (net assets).
- The authority's cash balance as of December 31, 2005 was \$1,268,436 representing an increase of \$332,083 from December 31, 2005.
- The authority had revenue from HUD of \$3,362,505 in operating grants and \$257,611 of capital grants for the year-ended December 31, 2005.
- The Authority ending total revenue balance was \$4,383,627 as of December 31, 2005, representing an increase of \$34,836. Total operating expenses was \$4,383,403, representing a decrease of \$184,804.

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.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)

Total Assets increased by \$125,881. Specifically increase in **Cash** by \$332,083 due to HUD funding changes.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2005**

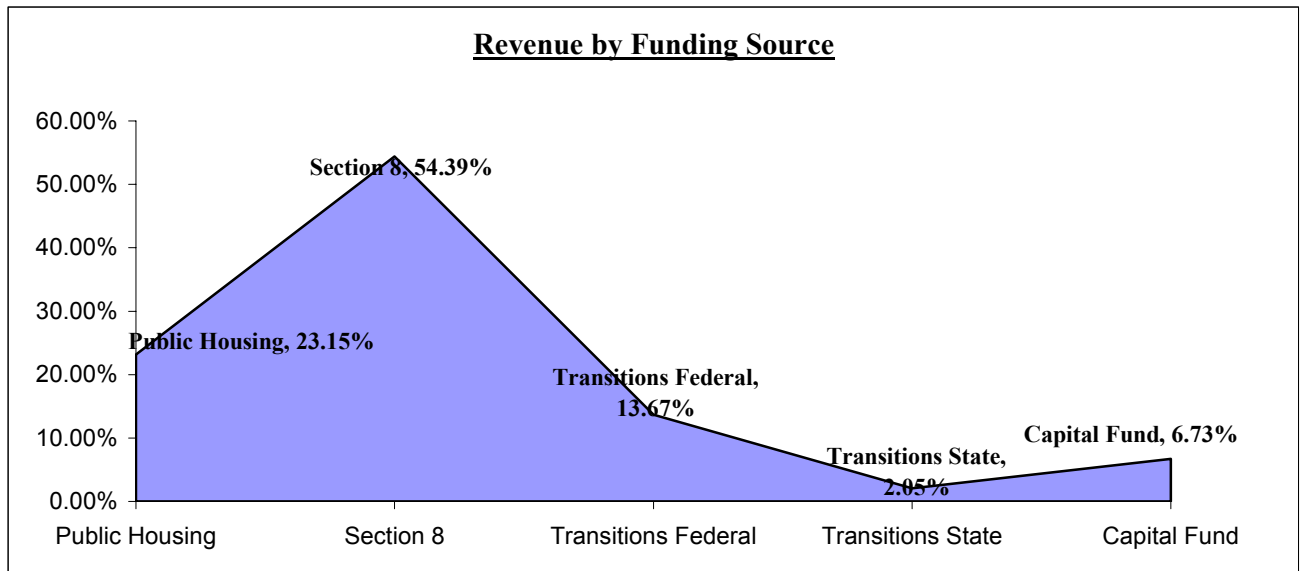
Unaudited

Current Assets increased by \$25,786 due mainly to increase in HUD receivable for the Transitional and Capital Fund Programs.

Total Liabilities increased by \$47,306 due to year end accrual liabilities.

The following table summarizes the change in Net Assets between December 31, 2005 and 2004 for the authority as a whole:

	<u>2005</u>	<u>2004</u>	<u>NET CHANGE</u>	<u>VARIANCE</u>
Cash	\$1,268,436	\$936,353	\$332,083	-35.47%
Current Assets	363,308	337,522	25,786	7.64%
Capital Assets - Net	13,002,371	13,234,359	(231,988)	1.75%
Total Assets	<u>\$14,634,115</u>	<u>\$14,508,234</u>	<u>\$125,881</u>	<u>-0.87%</u>
Current Liabilities	\$335,977	\$290,347	\$45,630	15.72%
Non current Liabilities	25,280	23,604	1,676	-7.10%
Total Liabilities	<u>\$361,257</u>	<u>\$313,951</u>	<u>\$47,306</u>	<u>15.07%</u>
Net Assets in Capital Assets	\$13,002,371	\$13,234,359	(\$231,988)	1.75%
Unrestricted Net Assets	1,270,487	959,924	310,563	-32.35%
Total Net Assets	<u>\$14,272,858</u>	<u>\$14,194,283</u>	<u>\$78,575</u>	<u>-30.60%</u>



The following table summarizes total revenue by major funding sources for fiscal years 2005.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2005**

Unaudited

Comparatively, FYE 2005 total revenue increased by \$34,836 as compared to fiscal year ending 2004 operating revenue. Collection of fraud recovery was the driving force behind the increase.

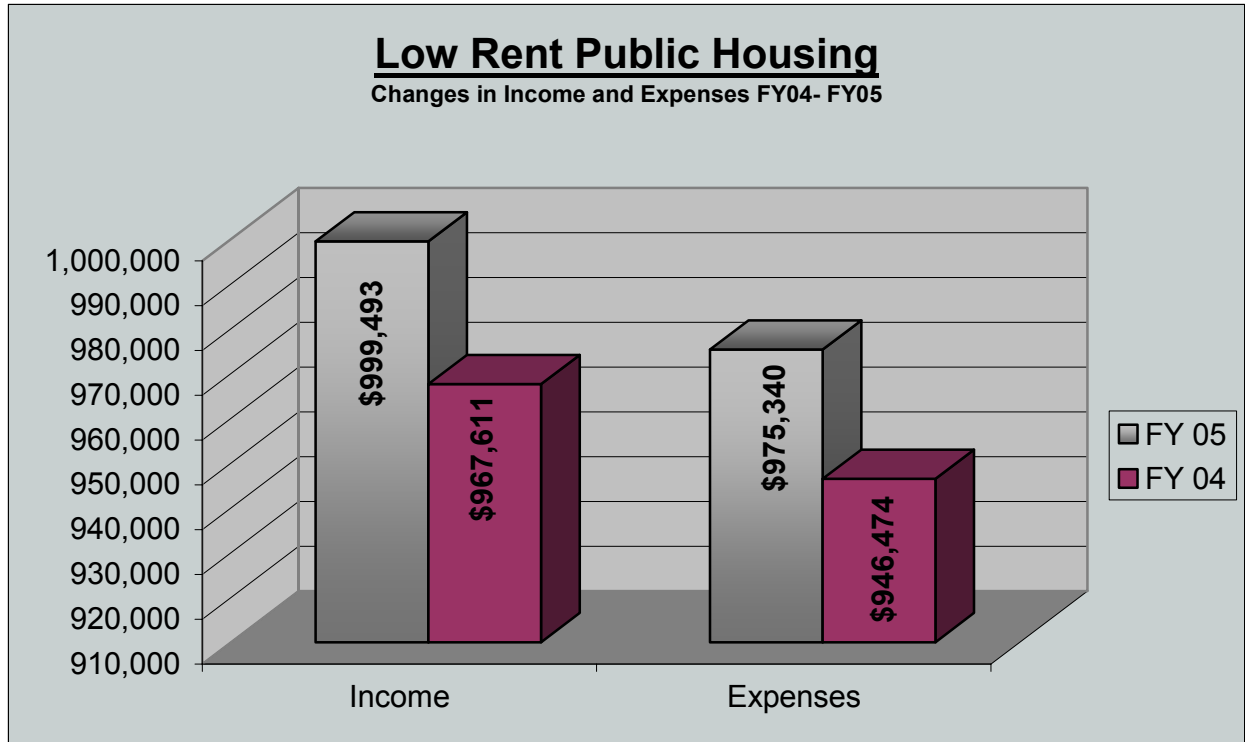
Comparatively, FYE 2005 total expense decreased from FYE 2004 by \$184,804. This decrease was due mainly to decrease in housing assistance payments. Total number of Voucher served was down from prior year mainly due to the uncertain changes made by HUD to the Voucher Program.

The following table summarizes the changes in operating revenue income between FYE 2005 and 2004 for the authority as a whole:

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>	<u>Variance</u>
Tenant Rental Revenue	\$467,121	419,925	47,196	-11.24%
HUD Operating Grants	3,362,505	3,393,277	(30,772)	-0.91%
HUD Capital Grants	257,611	282,976	(25,365)	-8.96%
Other Government Grants	76,972	150,860	(73,888)	100.00%
Interest on Investments	4,995	2,799	2,196	-78.46%
Fraud Recovery	47,473	49,190	(1,717)	0.00%
Other Revenue	166,950	49,764	117,186	-235.48%
Total Revenue	<u>4,383,627</u>	<u>4,348,791</u>	<u>34,836</u>	<u>-0.80%</u>
Expenses:				
Administrative	720,322	591,900	128,422	21.70%
Tenant Services	89,830	260,109	(170,279)	-65.46%
Utilities	81,098	82,732	(1,634)	-1.98%
Maintenance	371,729	406,030	(34,301)	-8.45%
General Expenses	238,160	208,147	30,013	-14.42%
Extraordinary Maintenance	-	19,840	(19,840)	-100.00%
Casualty Losses - Non-Capital	1,042	5,124	(4,082)	100.00%
Housing Assistance Payments	2,225,951	2,429,427	(203,476)	-8.38%
Depreciation	589,311	564,898	24,413	4.32%
Loss of Sale of Capital Assets	65,960	-	65,960	100.00%
Total Expenses	<u>4,383,403</u>	<u>4,568,207</u>	<u>(184,804)</u>	<u>-4.05%</u>
Net Income/(Loss)	<u>\$224</u>	<u>(\$219,416)</u>	<u>\$219,640</u>	<u>-100.10%</u>

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2005**

Unaudited



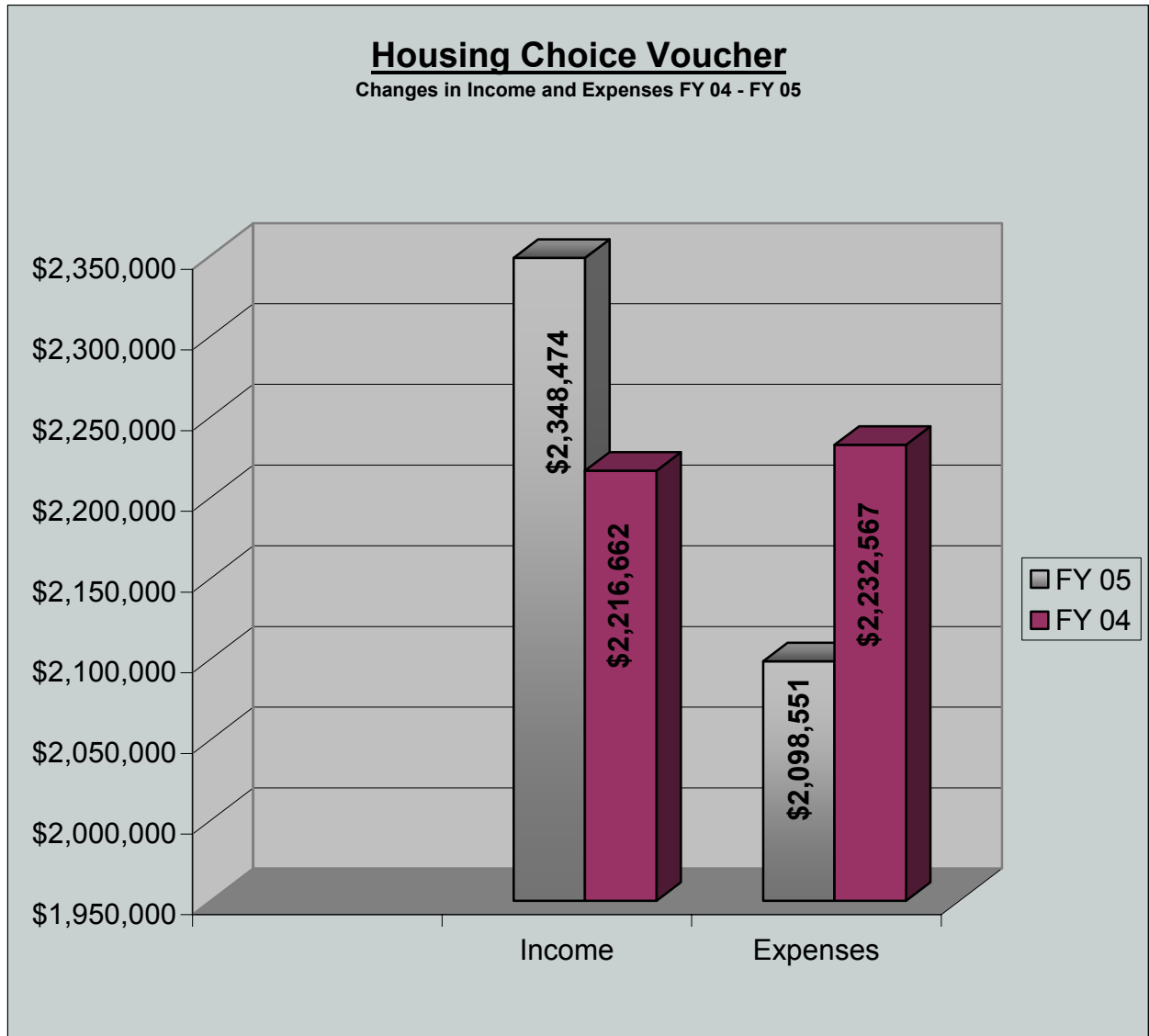
Note: The above table does not include depreciation

The above table shows how the income and expenses have changed between the FYE 2005 and 2004 for the Low Rent Public Housing Program. FYE 2005 total operating expenses exceeded FYE 2004 operating expenses by 2.2%. FYE 2005 total income exceeded FYE 2004 income by 2.5%.

As the above table revealed, the income and expenses for the Low Rent Program were stable in comparison to FYE 2004. The slide increases were due to change in inflation.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2005**

Unaudited



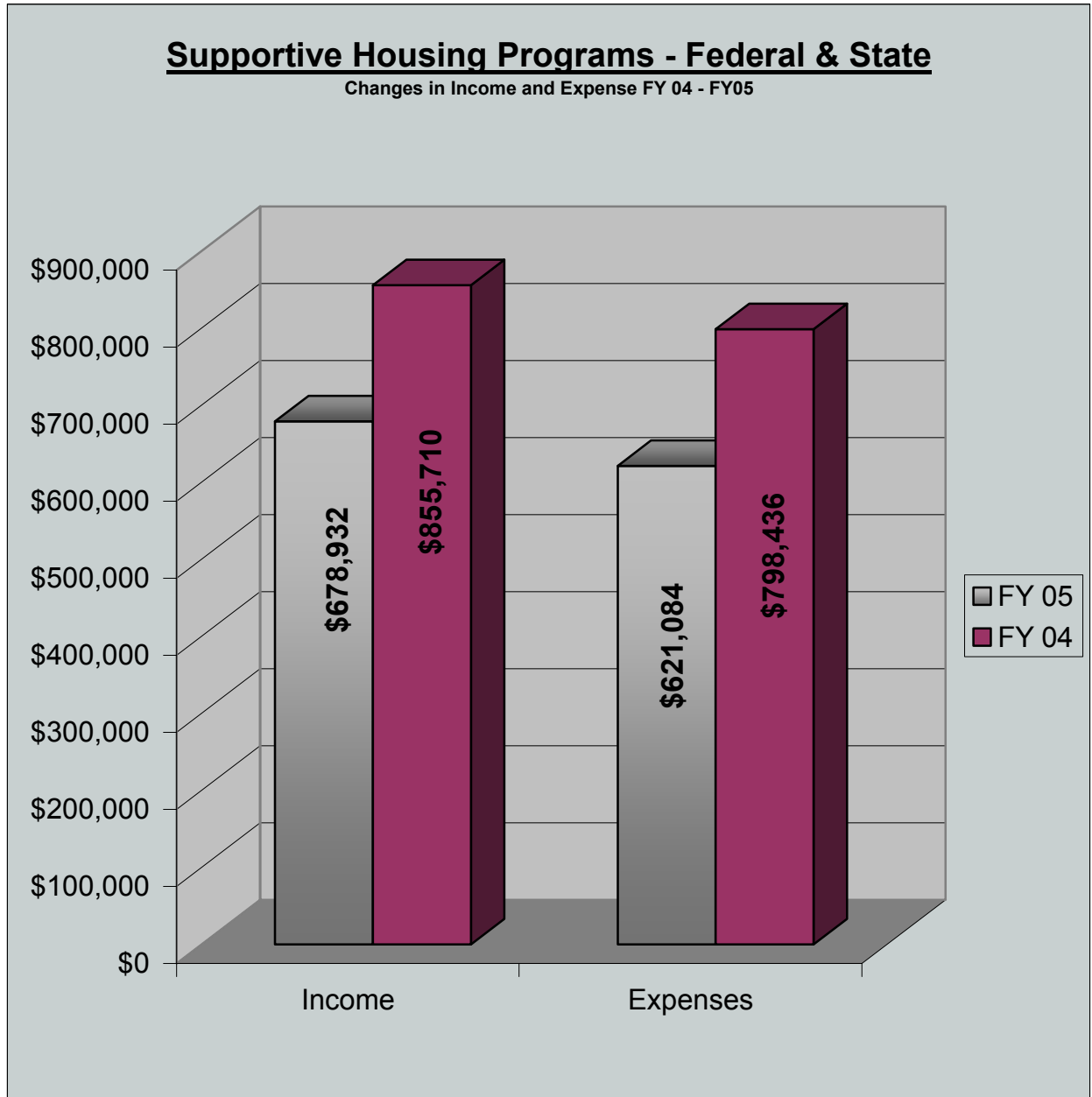
Note: The above table does not include depreciation

The following chart illustrates the Housing Choice Voucher Program changes in income and expenses for the FYE 2005 and 2004. Income increase nearly 12% and expenses decreased by .7%.

The change in income was due to the changes made by HUD in recognizing income.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2005**

Unaudited



Note: The above table does not include depreciation

The following chart illustrates the Supportive Housing Program changes in income and expenses for the FYE 2005 and 2004. Income increase nearly 9% and expenses decreased by 7%.

The above changes were reflective to current year client served.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2005**

Unaudited

CAPITAL ASSET & DEBT ADMINISTRATION

The following table summarizes the changes in capital assets between December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>	<u>Variance</u>
Land	\$1,638,444	\$1,638,444	\$0	0.00%
Building	16,569,203	16,291,913	277,290	-1.70%
Equipment	386,882	416,192	(29,310)	7.04%
Construction in Progress	568,616	537,625	30,991	-5.76%
Total	<u>19,163,145</u>	<u>18,884,174</u>	<u>278,971</u>	<u>-1.48%</u>
Accumulated Depreciation	6,160,774	5,649,815	510,959	-9.04%
Net Capital Assets	<u><u>\$13,002,371</u></u>	<u><u>\$13,234,359</u></u>	<u><u>(\$231,988)</u></u>	<u><u>1.75%</u></u>

During 2005 the Authority major additions were: Purchase of a van, maintenance truck and capital fund improvements recorded as construction in progress.

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, 2005

ASSETS

Current assets

Cash and cash equivalents	\$1,268,436
Receivables, net	324,447
Prepaid expenses and other assets	38,861
Total current assets	<u>1,631,744</u>

Noncurrent assets

Capital assets:	
Land	1,638,444
Building and equipment	16,956,085
Construction in Progress	568,616
Less accumulated depreciation	<u>(6,160,774)</u>
Total noncurrent assets	<u>13,002,371</u>
Total assets	<u><u>\$14,634,115</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$66,215
Accrued liabilities	40,415
Intergovernmental payables	68,934
Tenant security deposits	56,256
Deferred revenue	2,190
Other current liabilities	<u>101,967</u>
Total current liabilities	<u>335,977</u>

Noncurrent liabilities

Accrued compensated absences non-current	<u>25,280</u>
Total noncurrent liabilities	<u>25,280</u>
Total liabilities	<u><u>\$361,257</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2005

NET ASSETS

Invested in capital assets, net of related debt	\$13,002,371
Unrestricted net assets	<u>1,270,487</u>
Total net assets	<u><u>\$14,272,858</u></u>

The accompanying notes to the 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, 2005

OPERATING REVENUES

Tenant Revenue	\$467,121
Government operating grants	3,439,477
Other revenue	214,423
Total operating revenues	<u>4,121,021</u>

OPERATING EXPENSES

Administrative	720,322
Tenant services	89,830
Utilities	81,098
Maintenance	371,729
General	238,160
Housing assistance payment	2,225,951
Other operating expenses	1,042
Depreciation	589,311
Total operating expenses	<u>4,317,443</u>
Operating income (loss)	<u>(196,422)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	4,995
Loss on sale of capital assets	(65,960)
Total nonoperating revenues (expenses)	<u>(60,965)</u>
Income (loss) before contributions and transfers	(257,387)

Capital grants	<u>257,611</u>
Change in net assets	224
Total net assets - beginning	14,194,283
Prior Period Adjustment	78,351
Total net assets - ending	<u><u>\$14,272,858</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$3,366,499
Tenant revenue received	468,057
Other revenue received	215,760
General and administrative expenses paid	(1,409,954)
Housing assistance payments	<u>(2,225,951)</u>

Net cash provided (used) by operating activities	<u>414,411</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	<u>4,995</u>
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Net cash provided (used) by investing activities	<u>4,995</u>
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CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	257,611
Property and equipment purchased	<u>(344,934)</u>

Net cash provided (used) by capital and related activities	<u>(87,323)</u>
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Net increase (decrease) in cash	332,083
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Cash and cash equivalents - Beginning of year	<u>936,353</u>
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Cash and cash equivalents - End of year	<u><u>\$1,268,436</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2005

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$196,422)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	589,311
- (Increases) Decreases in Accounts Receivable	(21,129)
- (Increases) Decreases in Prepaid Assets	(4,655)
- Increases (Decreases) in Accounts Payable	16,580
- Increases (Decreases) in Accounts Payable - Intergovernmental	43,411
- Increases (Decreases) in Accrued Expenses Payable	(8,887)
- Increases (Decreases) in Accrued Compensated Liabilities	14,268
- Increases (Decreases) in Other Noncurrent Liabilities	(22,498)
- Increases (Decreases) in Tenant Security Deposits	3,806
- Increases (Decreases) in Deffered Revenue	626
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Net cash provided by operating activities	<u><u>\$414,411</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(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 Program**

The Supportive Housing Program is a HUD and State 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, 2005 totaled \$4,995.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are 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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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.

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 AND INVESTMENTS

Deposits – State statutes classify monies held by the Authority into three categories.

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Government Accounting Standards Board Statement No. 3 (GASB #3) has established custodial credit risk categories for deposits and investments as follows:

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

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

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution’s trust department or agent, but not in the Authority’s name).

The carrying amount of the Authority’s deposits was \$1,268,436 at December 31, 2005. The corresponding bank balance was \$1,289,517. Of the bank balance, \$180,271 was covered by federal deposit insurance (FDIC) with the remaining balance covered by collateralization held by the bank in the Authority’s name as required by HUD. The custodial credit risk for the Authority deposit is Category 1.

Investments - In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 2 years.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority practice to do business with more than one depository.

The Authority did not have any investments as of December 31, 2005 other than certificates of deposits.

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, 2005 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.

WARREN METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005
 (CONTINUED)

NOTE 3: RISK MANAGEMENT (Continued)

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.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes:

	Balance 12/31/04	Adjust	Additions	Deletion	Balance 12/31/05
Capital Assets Not Being Depreciated:					
Land	\$1,638,444	\$0	\$0	\$0	\$1,638,444
Construction in Progress	537,625	(277,291)	308,282		568,616
Total Capital Assets Not Being Depreciated	2,176,069	(277,291)	308,282	0	2,207,060
Capital Assets Being Depreciated:					
Buildings	16,291,913	277,291	0	0	16,569,204
Furt, Mach & Equip – Dwelling	18,521	0	0	0	18,521
Furt, Mach & Equip – Admin	397,671	0	36,652	65,960	368,363
Total Capital Assets Being Depreciated	16,708,105	277,291	36,652	65,960	16,956,088
Accum Depreciation	(5,649,815)	78,351	(589,311)	0	(6,160,775)
Total Capital Assets Being Depreciated, Net	11,058,290	355,642	(552,659)	65,960	10,795,313
Total Capital Assets, Net	\$13,234,359	\$78,351	(\$244,377)	\$65,960	\$13,002,373

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

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

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 employer pension contribution rate for Authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2005, 2004, and 2003 amounted to \$81,798, \$86,394 and \$81,737 respectively. Ninety-Two percent has been contributed for 2005. All required contributions for the two previous years have been paid.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

**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 retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. 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 2005 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2005 was 4.0 percent of covered payroll, which amounted to \$24,147. 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, 2004. 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 2004 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 at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(CONTINUED)

NOTE 8: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments relate to the physical inventory performed on the vehicles owned by the Authority. The periodic inventory showed that accumulated depreciation for vehicles traded off in a prior year were not removed from the books of account until December 31, 2005. The adjustments increased the fixed assets and Net Invested in Capital Assets by \$78,351.

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$0	\$99,557	\$633,141	\$461,775	\$0	\$17,707	\$1,212,180
114	Cash - Tenant Security Deposits	\$0	\$0	\$56,256	\$0	\$0	\$0	\$56,256
100	Total Cash	\$0	\$99,557	\$689,397	\$461,775	\$0	\$17,707	\$1,268,436
122	Accounts Receivable - HUD Other Projects	\$0	\$172,428	\$0	\$0	\$140,971	\$0	\$313,399
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$9,380	\$15,033	\$0	\$0	\$1,668	\$26,081
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$15,033)	\$0	\$0	\$0	(\$15,033)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$49,574	\$0	\$0	\$49,574
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	(\$49,574)	\$0	\$0	(\$49,574)
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$181,808	\$0	\$0	\$140,971	\$1,668	\$324,447
142	Prepaid Expenses and Other Assets	\$0	\$2,332	\$25,626	\$10,903	\$0	\$0	\$38,861
144	Interprogram Due From	\$0	\$60,918	\$145,049	\$0	\$0	\$69,050	\$275,017
150	Total Current Assets	\$0	\$344,615	\$860,072	\$472,678	\$140,971	\$88,425	\$1,906,761
161	Land	\$0	\$0	\$1,638,444	\$0	\$0	\$0	\$1,638,444
162	Buildings	\$0	\$0	\$16,569,203	\$0	\$0	\$0	\$16,569,203
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$18,521	\$0	\$0	\$0	\$18,521

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
164	Furniture, Equipment & Machinery - Administration	\$0	\$55,279	\$209,067	\$97,961	\$0	\$6,054	\$368,361
166	Accumulated Depreciation	\$0	(\$34,392)	(\$6,097,664)	(\$22,664)	\$0	(\$6,054)	(\$6,160,774)
167	Construction In Progress	\$0	\$0	\$50,640	\$0	\$517,976	\$0	\$568,616
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$20,887	\$12,388,211	\$75,297	\$517,976	\$0	\$13,002,371
190	Total Assets	\$0	\$365,502	\$13,248,283	\$547,975	\$658,947	\$88,425	\$14,909,132
312	Accounts Payable <= 90 Days	\$0	\$1,027	\$64,729	\$459	\$0	\$0	\$66,215
321	Accrued Wage/Payroll Taxes Payable	\$0	\$2,849	\$16,382	\$5,971	\$0	\$0	\$25,202
322	Accrued Compensated Absences - Current Portion	\$0	\$1,982	\$5,250	\$7,631	\$0	\$350	\$15,213
333	Accounts Payable - Other Government	\$0	\$0	\$56,334	\$0	\$0	\$12,600	\$68,934
341	Tenant Security Deposits	\$0	\$0	\$56,256	\$0	\$0	\$0	\$56,256
342	Deferred Revenues	\$0	\$492	\$1,610	\$0	\$0	\$88	\$2,190
345	Other Current Liabilities	\$0	\$0	\$8,700	\$0	\$0	\$0	\$8,700
346	Accrued Liabilities - Other	\$0	\$0	\$50,286	\$42,981	\$0	\$0	\$93,267
347	Interprogram Due To	\$0	\$0	\$13,638	\$120,408	\$140,971	\$0	\$275,017
310	Total Current Liabilities	\$0	\$6,350	\$273,185	\$177,450	\$140,971	\$13,038	\$610,994
354	Accrued Compensated Absences - Non Current	\$0	\$8,347	\$13,759	\$1,701	\$0	\$1,473	\$25,280
350	Total Noncurrent Liabilities	\$0	\$8,347	\$13,759	\$1,701	\$0	\$1,473	\$25,280

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
300	Total Liabilities	\$0	\$14,697	\$286,944	\$179,151	\$140,971	\$14,511	\$636,274
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$20,887	\$12,388,211	\$75,297	\$517,976	\$0	\$13,002,371
512.1	Unrestricted Net Assets	\$0	\$329,918	\$573,128	\$293,527	\$0	\$73,914	\$1,270,487
513	Total Equity/Net Assets	\$0	\$350,805	\$12,961,339	\$368,824	\$517,976	\$73,914	\$14,272,858
600	Total Liabilities and Equity/Net Assets	\$0	\$365,502	\$13,248,283	\$547,975	\$658,947	\$88,425	\$14,909,132
703	Net Tenant Rental Revenue	\$0	\$65,561	\$389,900	\$0	\$0	\$11,660	\$467,121
705	Total Tenant Revenue	\$0	\$65,561	\$389,900	\$0	\$0	\$11,660	\$467,121
706	HUD PHA Operating Grants	\$0	\$522,290	\$500,573	\$2,306,485	\$33,157	\$0	\$3,362,505
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$257,611	\$0	\$257,611
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$76,972	\$76,972
711	Investment Income - Unrestricted	\$0	\$195	\$3,952	\$813	\$0	\$35	\$4,995
714	Fraud Recovery	\$0	\$2,219	\$4,078	\$41,176	\$0	\$0	\$47,473
715	Other Revenue	\$0	\$0	\$166,950	\$0	\$0	\$0	\$166,950
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	(\$65,960)	\$0	\$0	\$0	(\$65,960)
700	Total Revenue	\$0	\$590,265	\$999,493	\$2,348,474	\$290,768	\$88,667	\$4,317,667
911	Administrative Salaries	\$0	\$84,336	\$138,389	\$74,451	\$23,210	\$9,610	\$329,996
912	Auditing Fees	\$0	\$1,605	\$3,885	\$3,744	\$0	\$285	\$9,519
914	Compensated Absences	\$0	\$3,943	\$10,425	\$6,349	\$0	(\$1,207)	\$19,510

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
915	Employee Benefit Contributions - Administrative	\$0	\$33,573	\$52,574	\$25,853	\$9,947	\$3,609	\$125,556
916	Other Operating - Administrative	\$0	\$25,937	\$139,851	\$63,988	\$0	\$5,965	\$235,741
921	Tenant Services - Salaries	\$0	\$48,598	\$0	\$0	\$0	\$6,567	\$55,165
923	Employee Benefit Contributions - Tenant Services	\$0	\$21,023	\$0	\$0	\$0	\$2,188	\$23,211
924	Tenant Services - Other	\$0	\$8,804	\$0	\$0	\$0	\$2,650	\$11,454
931	Water	\$0	\$0	\$30,450	\$0	\$0	\$0	\$30,450
932	Electricity	\$0	\$0	\$33,150	\$0	\$0	\$0	\$33,150
933	Gas	\$0	\$0	\$17,498	\$0	\$0	\$0	\$17,498
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$163,160	\$36,476	\$0	\$0	\$199,636
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$2,073	\$74,119	\$1,368	\$0	\$0	\$77,560
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$15,843	\$0	\$0	\$0	\$15,843
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$65,957	\$12,733	\$0	\$0	\$78,690
961	Insurance Premiums	\$0	\$1,082	\$144,764	\$8,081	\$0	\$0	\$153,927
963	Payments in Lieu of Taxes	\$0	\$0	\$30,811	\$0	\$0	\$0	\$30,811
964	Bad Debt - Tenant Rents	\$0	\$0	\$53,422	\$0	\$0	\$0	\$53,422
969	Total Operating Expenses	\$0	\$230,974	\$974,298	\$233,043	\$33,157	\$29,667	\$1,501,139
970	Excess Operating Revenue over Operating Expenses	\$0	\$359,291	\$25,195	\$2,115,431	\$257,611	\$59,000	\$2,816,528

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Supportive Housing for Persons with Disabilities	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$1,042	\$0	\$0	\$0	\$1,042
973	Housing Assistance Payments	\$0	\$312,071	\$0	\$1,865,508	\$0	\$48,372	\$2,225,951
974	Depreciation Expense	\$0	\$354	\$581,845	\$7,112	\$0	\$0	\$589,311
900	Total Expenses	\$0	\$543,399	\$1,557,185	\$2,105,663	\$33,157	\$78,039	\$4,317,443
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$0	\$46,866	(\$557,692)	\$242,811	\$257,611	\$10,628	\$224
1103	Beginning Equity	\$303,939	\$0	\$13,163,420	\$126,013	\$537,625	\$63,286	\$14,194,283
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$303,939)	\$303,939	\$355,611	\$0	(\$277,260)	\$0	\$78,351
	Ending Equity	\$0	\$350,805	\$12,961,339	\$368,824	\$517,976	\$73,914	\$14,272,858
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	0	648	2,496	5,376	0	72	8,592
1121	Number of Unit Months Leased	0	648	2,491	5,227	0	72	8,438

Warren Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2005

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$500,573
Housing Choice Voucher Program	14.871	2,306,485
Public Housing Capital Fund Program	14.872	290,768
Supportive Housing Program	14.235	<u>522,290</u>
 Total Expenditure of Federal Award		 <u>\$3,620,116</u>



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

Board of Directors
Warren Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Warren Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Warren Metropolitan Housing Authority basic financial statements and have issued my report thereon dated August 3, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting


In planning and performing my audit, I considered 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 financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Warren Metropolitan Housing Authority, Ohio, in a separate letter dated August 3, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren Metropolitan Housing Authority, Ohio's 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*.

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, CPA, Inc.

August 3, 2006



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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

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, 2005. 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, 2005.

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.

August 3, 2006

Warren Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS
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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 # 14.235 – Supportive Housing and 14.850 – Low Rent Public Housing
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
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There are no Findings or questioned costs for the year ended December 31, 2005.

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended December 31, 2005.

Warren Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2005

The audit report for the fiscal year ending December 31, 2004 contained no audit finding.



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
DECEMBER 5, 2006**