

TRUMBULL METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Trumbull Metropolitan Housing Authority, Trumbull County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

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Auditor of State

March 26, 2010

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TRUMBULL METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Trumbull Metropolitan Housing Authority
Warren, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Trumbull Metropolitan Housing Authority, Ohio (the Authority), as of June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trumbull Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Trumbull Metropolitan Housing Authority, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2010, on our consideration of Trumbull Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trumbull Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Statement of Modernization Costs - Completed is presented for purposes of additional analysis as required by the U.S. 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 our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The Authority has not presented the Financial Data Schedules (FDS) required by the U.S. Department of Housing and Urban Development for additional analysis, although they are not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the U.S. Department of Housing and Urban Development is now undertaking.



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

January 4, 2010

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended June 30, 2009
(Unaudited)

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

The Management's Discussion and Analysis (MD&A) is designed to focus on the fiscal year ended June 30, 2009 activities, resulting changes, and currently known facts. Please read it in conjunction with the Authority's financial statements (beginning on page 12). In accordance with GASB Statement No. 34, paragraph 10, the financial information and discussion presented below focuses on the primary government. Due to the significance of the component units when compared to the primary government, the financial information is provided for the component units in some instances to provide for a more complete and meaningful discussion of financial results. Regardless, discussion in the MD&A attempts to distinguish between information pertaining to the primary government and that of its component units.

FINANCIAL HIGHLIGHTS

- The primary government's net assets decreased by \$2.73 million (or 11 percent) during 2009. Net assets were \$24.22 million and \$21.49 million for 2008 and 2009, respectively. A \$.23 million net non-operating revenue and equity transfers of \$.03 million offset a \$2.98 million loss from operations. There was a \$.21 million of net loss from operations without consideration of depreciation accounting for \$2.77 million of operating expenses. The loss can mostly be attributed to a decrease in operating subsidy and capital grant revenue despite an increase in revenue from Housing Assistance Payments. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets.
- Revenue for the primary government decreased by \$2.46 million (or 19.01 percent) during 2009, and was \$12.94 million and \$10.48 million for 2008 and 2009, respectively. Revenue from capital grants decreased \$1.90 million, while operating grants and tenant revenue decreased by \$.65 million and other income and interest income netted an increase of \$.09 million.
- Total expenses for the primary government increased by \$.23 million (or 1.77 percent). Of this amount, administrative expenses decreased by \$.10 million while other expenses including utilities, maintenance costs, general and protective services and Housing Assistance Payments increased by \$.33 million. Total expenses were \$12.99 million and \$13.22 million for 2008 and 2009, respectively.
- Net assets for the component units were \$22.46 million for 2009, increasing from \$21.59 million for 2008. Net assets of the component units amount to approximately 51 percent of the combined net assets for the primary government and component units.

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(Unaudited)

- Revenue for the component units increased by \$.78 million (or 17.4 percent) during 2009, and was \$5.27 million and \$4.49 million for 2009 and 2008, respectively. Revenue from investments net of interest expense decreased by \$.04 million, while revenue from various program grants and other income increased by \$.83 million.
- Total expenses for the component units increased by \$.96 million (or 28 percent) and were \$3.41 million and \$4.37 million for 2008 and 2009, respectively. For the most part, expenses increased proportionately to the increase in revenue from various program and grant activity.

USING THIS ANNUAL REPORT

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

MD & A
Management Discussion and Analysis

Basic Financial Statements

Authority-Wide Financial Statements
pages 12-14

Notes to Financial Statements

**Other Required Supplementary
Information**

Required Supplementary Information

TRUMBULL METROPOLITAN HOUSING AUTHORITY
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for the Year ended June 30, 2009
(Unaudited)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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Financial Statements by Major Fund

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

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

THE AUTHORITY'S PROGRAMS

Business Type Programs

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

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

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

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

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

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

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

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

AUTHORITY-WIDE STATEMENTS

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

Table 1 - Statement of Net Assets - Primary Government

	2009 (in Millions) of Dollars	2008 (in Millions) of Dollars
<u>Assets</u>		
Current and Other Assets	\$ 3.33	\$ 3.45
Capital Assets	19.09	21.66
Total Assets	22.42	25.11
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Current Liabilities	.58	.66
Long-Term Liabilities	.35	.23
Total Liabilities	.93	.89
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	19.09	21.66
Restricted	.26	.46
Unrestricted	2.14	2.10
Total Net Assets	21.49	24.22
Total Liabilities and Net Assets	\$ 22.42	\$ 25.11

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

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Major Factors Affecting The Statement of Net Assets

During 2009, total assets decreased by \$2.69 million. The decrease of \$.12 million in current assets resulted mostly from a reduction in restricted cash due to higher HAP payments for the HCV program. The decrease of \$2.57 million in capital assets is due to a higher volume of capital expenses (via depreciation) than capitalized expenditures in 2009. For more detail, see "Capital Assets and Debt Administration" on page 10. Total liabilities increased by \$.04 million due mostly to an increase in accrued compensated absences. These changes resulted in an increase of \$.04 million in unrestricted net assets.

During 2009, total assets for the component units increased by \$.55 million. Unrestricted net assets for the component units increased by \$.48 million. These changes are mostly due to an increase in other non-current assets and a decrease in related debt.

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

Table 2 - Change of Unrestricted Net Assets - Primary Government

	Millions of Dollars
Unrestricted Net Assets 06/30/08	\$ 2.09
Results of Operations	(2.74)
Adjustments:	
Depreciation (1)	2.76
Adjusted Results from Operations	2.11
Net Change in Restricted Assets	.20
Net Change in Capital Assets of Debt Payments (2)	(.20)
Equity Transfers	.03
Unrestricted Net Assets 06/30/09	\$ 2.14

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

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

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
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(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Assets

The following table compares the revenues and expenses for the current and previous fiscal year.

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

	2009 (Millions of Dollars)	2008 (Millions of Dollars)
Revenues		
Tenant Revenue - Rents and Other	\$ 1.55	\$ 1.37
Operating Subsidies and Grants	8.03	8.86
Capital Grants	.17	2.07
Investment Income	.06	.08
Other Revenues	.67	.56
Total Revenues	<u>10.48</u>	<u>12.94</u>
Expenses		
Administrative	2.67	2.77
Utilities	1.12	1.05
Maintenance	1.79	1.67
General	.62	.59
Housing Assistance Payments	4.25	4.15
Depreciation	2.77	2.76
Total Expenses	<u>13.22</u>	<u>12.99</u>
Net Increase (Decrease)	<u>\$ (2.74)</u>	<u>\$ (.05)</u>

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

Tenant rent revenue increased slightly during 2009 in comparison to 2008 due, primarily, to lower utility cost allowances and higher tenant incomes. Operating subsidies decreased, due mostly to the timing of release and reconciliation by HUD of the calendar year 2008 funding. Also, the primary government received approximately \$.88 in 2009, compared to approximately \$.80 in 2008 for every dollar it was eligible to receive under HUD's funding formula. By contrast, funding for the Housing Choice Voucher Program increased from 2008 to 2009 by approximately \$.57 million. Reserves were spent down in 2008, resulting in less Annual Contribution Payments income in that year according to HUD's funding formula. Capital grants (expenditures) decreased from 2008 to 2009, mostly due to the timing of projects finishing and starting. Managing invested reserves in maximized earnings.

Total administrative and maintenance expenses remained relatively the same from 2008 to 2009 at \$4.4 million. Although the Authority benefitted from a special negotiated rate for natural gas and from its day-to-day conservation efforts, a winter at temperatures below normal resulted, in part, in 6 percent higher utility expenses in 2009 than 2008. Housing Assistance Payments increased by \$.10 million due to higher per unit costs compared to last year.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended June 30, 2009
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the primary government had \$19.09 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$2.57 million or 12 percent from the end of last year.

As of year-end, the component units had \$11.85 million invested in a variety of capital assets, which represents a net decrease of \$.05 million or less than 1 percent from the end of last year. Capitalized expenditures related to their multifamily developments, the Youth Build Program rehabilitation projects and furniture and equipment amounting to \$.62 million was offset by depreciation of \$.57 million.

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

	<u>Business-Type Activities</u>	
	2009	2008
	(Millions of Dollars)	(Millions of Dollars)
Land	\$.88	\$.88
Buildings	67.21	65.30
Equipment - Administrative and Dwelling	1.80	1.87
Accumulated Depreciation	(52.35)	(49.69)
Construction in Progress	1.55	3.30
Total	<u>\$ 19.09</u>	<u>\$ 21.66</u>

The following reconciliation summarizes the change in capital assets, which is presented in detail on page 23 of the notes.

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

	<u>Business-Type Activities</u>
Beginning Balance	\$ 21.66
Additions	.21
Retirements	(.12)
Depreciation, net of Deleted Capital Assets	(2.66)
Ending Balance	<u>\$ 19.09</u>

Capital expenditures to modernize the Authority's public housing developments accounted for the \$2.1 million of additions, net of deductions.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
for the Year ended June 30, 2009
(Unaudited)

DEBT OUTSTANDING

The Authority had no debt (bonds, notes, etc.) related to its public housing developments outstanding at the end of either 2009 or 2008. The component units, however, had debt equal to \$3.02 million at the end of 2009, compared to \$3.47 at the end of 2008.

A summary of outstanding debt is presented in detail on pages 28 and 29 of the notes.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Primary Government</u>	<u>Component Units</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash - Unrestricted	\$ 2,530,748	\$ 11,000,451
Cash - Restricted	437,003	1,490,191
Accounts Receivable - Net of Allowance	95,255	527,323
Inventories - Net of Allowance	135,397	20,779
Prepaid Expenses	134,854	81,945
Assets Held for Sale	<u>0</u>	<u>89,124</u>
Total Current Assets	<u>3,333,257</u>	<u>13,209,813</u>
<u>Non-Current Assets</u>		
Capital Assets, Not Depreciated	2,431,852	1,598,625
Capital Assets - Net of Accumulated Depreciation	16,664,645	10,255,027
Notes Receivable	0	295,595
Other Assets	<u>0</u>	<u>619,716</u>
Total Non-Current Assets	<u>19,096,497</u>	<u>12,768,963</u>
TOTAL ASSETS	<u>\$ 22,429,754</u>	<u>\$ 25,978,776</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Current Liabilities:		
Accounts Payable	\$ 112,679	\$ 251,286
Current Portion of Long-Term Debt	0	165,000
Accrued Wages and Payroll Taxes	173,737	20,229
Tenant Security Deposits	130,401	95,191
Deferred Credits and Other Liabilities	<u>169,664</u>	<u>80,546</u>
Total Current Liabilities	<u>586,481</u>	<u>612,252</u>
Non-Current Liabilities:		
Long-Term Debt - Net of Current Portion	0	2,855,000
Other Long-Term Liabilities - Compensated Absences	<u>348,563</u>	<u>53,905</u>
Total Non-Current Liabilities	<u>348,563</u>	<u>2,908,905</u>
Total Liabilities	<u>935,044</u>	<u>3,521,157</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	19,096,497	8,833,652
Restricted Net Assets	262,040	0
Unrestricted Net Assets	<u>2,136,173</u>	<u>13,623,967</u>
Total Net Assets	<u>21,494,710</u>	<u>22,457,619</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,429,754</u>	<u>\$25,978,776</u>

See accompanying notes to the basic financial statements.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Primary Government</u>	<u>Component Units</u>
<u>Operating Revenues</u>		
Program Operating Grants/Subsidies	\$ 8,027,291	\$ 3,008,214
Tenant Revenues	1,546,463	1,286,289
Other Income	<u>672,587</u>	<u>554,376</u>
Total Operating Revenues	<u>10,246,341</u>	<u>4,848,879</u>
<u>Operating Expenses</u>		
Administrative	2,670,138	1,711,450
Utilities	1,124,262	437,675
Ordinary Maintenance and Operations	1,793,197	628,842
Tenant Services	26,248	32,230
General and Protective Services	531,175	828,971
Housing Assistance Payments	4,248,144	0
Other Operating	66,400	51,419
Depreciation	<u>2,765,879</u>	<u>569,444</u>
Total Operating Expenses	<u>13,225,443</u>	<u>4,260,031</u>
Operating Income (Loss)	<u>(2,979,102)</u>	<u>588,848</u>
<u>Non-Operating Revenue (Expenses)</u>		
Capital Grants	165,412	0
Interest Income	64,348	423,985
Interest Expense	0	(109,150)
Gain (Loss) on Sale of Assets	<u>228</u>	<u>(1,613)</u>
Total Non-Operating Revenue (Expenses)	<u>229,988</u>	<u>313,222</u>
Excess (Deficiency) of Revenue Over (Under) Expenses	<u>(2,749,114)</u>	<u>902,070</u>
Beginning Net Assets	24,214,282	21,585,091
Equity Transfers	<u>29,542</u>	<u>(29,542)</u>
ENDING NET ASSETS	<u><u>\$21,494,710</u></u>	<u><u>\$22,457,619</u></u>

See accompanying notes to the basic financial statements.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Primary Government</u>	<u>Component Units</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from HUD and Other Governments	\$ 8,063,452	\$ 3,008,214
Cash Received from Tenants	1,541,231	865,138
Cash Received from Other Sources	674,293	461,842
Cash Payments for Housing Assistance Payments	(4,248,144)	0
Cash Payments for Administrative	(2,556,335)	(1,696,631)
Cash Payments for Other Operating Expenses	<u>(3,509,516)</u>	<u>(2,065,740)</u>
Net Cash (Used) by Operating Activities	<u>(35,019)</u>	<u>572,823</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Principal Payments on Debt	0	(445,000)
Acquisition of Capital and Other Assets	(214,707)	(804,537)
Sale of Capital Assets	8,748	798
Capital Grants Received	165,412	0
Equity Transfer	<u>29,542</u>	<u>(29,542)</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(11,005)</u>	<u>(1,278,281)</u>
<u>Cash Flows from Investing Activities</u>		
Investment Income	64,348	423,985
Interest Expense	<u>0</u>	<u>(109,150)</u>
Net Cash Provided by Investing Activities	<u>64,348</u>	<u>314,835</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,324	(390,623)
Cash and Cash Equivalents, Beginning	<u>2,949,427</u>	<u>12,881,265</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,967,751</u>	<u>\$12,490,642</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>		
Net Operating Income (Loss)	\$(2,979,102)	\$ 588,848
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	2,765,879	569,444
(Increase) Decrease in:		
Receivables - Net of Allowance	70,597	(421,151)
Inventory	52,860	3,042
Prepaid Expenses and Other Assets	12,210	3,433
Notes Receivable	0	(295,595)
Increase (Decrease) in:		
Accounts Payable	(6,655)	183,858
Non Current Liabilities	113,705	14,819
Accrued Wages/Payroll Taxes	(26,551)	18,659
Intergovernmental Payable	(27,132)	0
Tenants' Security Deposits	4,456	1,402
Deferred Credits/Other Liabilities	<u>(15,286)</u>	<u>(93,936)</u>
Net Cash Used by Operating Activities	<u>\$ (35,019)</u>	<u>\$ 572,823</u>

See accompanying notes to the basic financial statements.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

A. Description of the Entity and Programs

The Trumbull Metropolitan Housing Authority (the Authority) is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The Authority participates in the Voucher program provided by HUD. This program helps assist families in the payment of rent. Under this program, the Authority determines the amount of subsidy a family will receive using HUD guidelines; however, there is a limit to the amount charged to the family. The Authority also participates in the Public Housing program. Under this program, the Authority manages constructed or financed public housing units using grant funds from HUD. Tenants of these facilities pay a percentage of his/her adjusted gross income towards rent and utilities.

B. Summary of Significant Accounting Policies

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

C. Reporting Entity

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

C. **Reporting Entity** (Continued)

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

Discretely Presented Component Units

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

The Trumbull Housing Development Corporation (the Corporation) is a legally separate, non-profit organization served by a Board comprised of local officials and community representatives. The Corporation was formed in 1980 to manage the assets of the Local Authority fund. The Corporation's purpose is to promote the availability of affordable housing for persons of low to moderate income and to support affordable housing programs, including those of the Authority. Separately issued audited financial statements for the Corporation can be obtained from the Authority.

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

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

D. Fund Accounting

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

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

E. Proprietary Fund Types

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

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

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TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

F. Measurement Focus/Basis of Accounting

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

G. Investments

Investments of the primary government are restricted by the provisions of HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2009 totaled \$64,348 for the primary government and \$423,985 for the component units. Investments at June 30, 2009, consisted of only certificates of deposit.

H. Capital Assets

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

I. Cash and Cash Equivalents

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

J. **Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Compensated absences are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: **(1)** the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and **(2)** it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

K. **Budgetary Accounting**

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

L. **Estimates**

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

A. **Primary Government**

Deposits

At fiscal year end, the carrying amount of the primary government's deposits was \$2,967,751 and the bank balance was \$3,034,533. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2009, \$750,000 of the primary government's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority. Included in the carrying value of the Authority's deposits is \$1,200 in petty cash.

Custodial credit risk is the risk that, in the event of bank failure, the primary government's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy; however, the Authority did not have investments at June 30, 2009.

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TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

A. **Primary Government** (Continued)

Cash and cash equivalents included in the Authority's cash position at June 30, 2009, are as follows:

	Cash and Cash Equivalents*	Investments
Cash - Unrestricted	\$ 2,530,748	\$ 0
Cash - Restricted	437,003	0
Per GASB Statement No. 3	\$ 2,967,751	\$ 0

* Includes Petty Cash

B. **Component Units**

Deposits

At fiscal year end, the carrying amount of the component units' deposits was \$12,490,642, and the bank balance was \$12,652,932. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2009, \$1,577,634 of the component units' bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Housing Development Corporation ("Corporation") or the Authority.

Custodial credit risk is the risk that, in the event of bank failure, deposits may not be returned. Deposits are placed with major local banks approved by the Corporation's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy it relies on to manage the investments of the component units; however, the component unit did not have investments at June 30, 2009.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2009
 (CONTINUED)**

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

B. **Component Units** (Continued)

Cash and cash equivalents included in the component unit's cash position at June 30, 2009, are as follows:

	Cash and Cash Equivalents*	Investments
Cash - Unrestricted	\$ 11,000,451	\$ 0
Cash - Restricted	1,490,191	0
Per GASB Statement No. 3	\$12,490,642	\$ 0

* Includes Petty Cash

NOTE 3: **NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

NOTE 4: **INSURANCE COVERAGE**

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

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

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

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TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 5: CAPITAL ASSETS

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

	Primary Government	Component Units
Capital Assets Not Depreciated		
Land	\$ 878,365	\$ 1,349,466
Construction in Progress	<u>1,553,487</u>	<u>249,159</u>
Total Capital Assets Not Depreciated	<u>2,431,852</u>	<u>1,598,625</u>
Capital Assets Being Depreciated		
Buildings and Building Improvements	67,214,591	19,566,040
Furniture and Equipment	<u>1,799,542</u>	<u>958,245</u>
Total Capital Assets being Depreciated	69,014,133	20,524,285
Less Accumulated Depreciation	<u>(52,349,488)</u>	<u>(10,269,258)</u>
Subtotal Capital Assets Being Depreciated	<u>16,664,645</u>	<u>10,255,027</u>
Total Capital Assets	<u>\$ 19,096,497</u>	<u>\$ 11,853,652</u>

The following is a summary of changes:

	Primary Government				
	Balance July 1, 2008	Amount Reclassified	Additions	Deletions	Balance June 30, 2009
Capital Assets Not Being Depreciated					
Land	\$ 878,365	\$ 0	\$ 0	\$ 0	\$ 878,365
Construction in Progress	<u>3,307,092</u>	<u>0</u>	<u>165,412</u>	<u>(1,919,017)</u>	<u>1,553,487</u>
Total Capital Assets Not Being Depreciated	<u>4,185,457</u>	<u>0</u>	<u>165,412</u>	<u>(1,919,017)</u>	<u>2,431,852</u>
Capital Assets Being Depreciated					
Buildings and Building Improvements	65,295,574	0	1,919,017	0	67,214,591
Furniture and Equipment	<u>1,866,608</u>	<u>0</u>	<u>49,295</u>	<u>(116,361)</u>	<u>1,799,542</u>
Total Capital Assets Being Depreciated	<u>67,162,182</u>	<u>0</u>	<u>1,968,312</u>	<u>(116,361)</u>	<u>69,014,133</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(47,968,675)	107,753	(2,709,863)	0	(50,570,785)
Furniture and Equipment	<u>(1,722,775)</u>	<u>(107,753)</u>	<u>(56,016)</u>	<u>107,841</u>	<u>(1,778,703)</u>
Total Accumulated Depreciation	<u>(49,691,450)</u>	<u>0</u>	<u>(2,765,879)</u>	<u>107,841</u>	<u>(52,349,488)</u>
Depreciable Assets, Net	<u>17,470,732</u>	<u>0</u>	<u>(797,567)</u>	<u>(8,520)</u>	<u>16,664,645</u>
Total Capital Assets, Net, Primary Government	<u>\$ 21,656,189</u>	<u>\$ 0</u>	<u>\$ (632,155)</u>	<u>\$(1,927,537)</u>	<u>\$ 19,096,497</u>

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 5: CAPITAL ASSETS (Continued)

	Component Units				Balance June 30, 2009
	Balance July 1, 2008	Amount Reclassified	Additions	Deletions	
Capital Assets Not Being Depreciated					
Land	\$ 1,232,300	\$ 0	\$ 117,166	\$ 0	\$ 1,349,466
Construction in Progress	<u>197,716</u>	<u>0</u>	<u>155,451</u>	<u>(104,008)</u>	<u>249,159</u>
Total Capital Assets Not Being Depreciated	<u>1,430,016</u>	<u>0</u>	<u>272,617</u>	<u>(104,008)</u>	<u>1,598,625</u>
Capital Assets Being Depreciated					
Buildings and Building Improvements	19,252,731	0	313,309	0	19,566,040
Furniture and Equipment	<u>956,134</u>	<u>0</u>	<u>39,704</u>	<u>(37,593)</u>	<u>958,245</u>
Total Capital Assets Being Depreciated	<u>20,208,865</u>	<u>0</u>	<u>353,013</u>	<u>(37,593)</u>	<u>20,524,285</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(9,004,797)	30,683	(489,362)	0	(9,463,476)
Furniture and Equipment	<u>(730,199)</u>	<u>(30,683)</u>	<u>(80,082)</u>	<u>35,182</u>	<u>(805,782)</u>
Total Accumulated Depreciation	<u>(9,734,996)</u>	<u>0</u>	<u>(569,444)</u>	<u>35,182</u>	<u>(10,269,258)</u>
Depreciable Assets, Net	<u>10,473,869</u>	<u>0</u>	<u>(216,431)</u>	<u>(2,411)</u>	<u>10,255,027</u>
Total Capital Assets, Net, Component Units	<u>\$11,903,885</u>	<u>\$ 0</u>	<u>\$ 56,186</u>	<u>\$ (106,419)</u>	<u>\$ 11,853,652</u>

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

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

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2009, 2008, and 2007 were \$358,026, \$356,864, and \$375,111 respectively. Of the Authority's required contributions for the year ended June 30, 2009, \$4,560 was to the Combined Plan and \$4,365 was to the Member-Directed Plan. 100 percent of the Authority's required contribution was made for the years ended 2009, 2008 and 2007.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 7: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was 14 percent of covered payroll; 7.00 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 4 percent annually for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2008, the number of active contributing participants in the Traditional Pension and Combined plans totaled 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. Actual Authority contributions for 2009 which were used to fund post-employment benefits were \$176,831. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2007 (the latest information available) was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 billion, respectively.

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **COMPENSATED ABSENCES**

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

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

At June 30, 2009, based on the vesting method, \$422,109 was accrued by the primary government for unused vacation and sick time. The current portion is \$73,546 and the non-current portion is \$348,563.

<u>Balance</u>			<u>Balance</u>
<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
\$ 308,305	\$ 129,065	\$ (15,261)	\$ 422,109

At June 30, 2009, based on the vesting method, \$63,803 was accrued by the component units for unused vacation and sick time. The current portion is \$9,898 and the non-current portion is \$53,905.

<u>Balance</u>			<u>Balance</u>
<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>
\$ 49,584	\$ 14,219	\$ 0	\$ 63,803

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 9: **LONG-TERM DEBT**

The Authority's component units were obligated on the following notes as of June 30, 2009:

Refunding Bonds, Series 2002 (Section 8 Assisted Projects)

Bond issued by Warren Housing Development Corporation dated March 1, 2002 and paid in full January 1, 2009. \$ 0

Adjustable Rate Demand Economic Development Revenue Bonds, Series 2003

Bonds issued by Western Reserve Housing Development Corporation dated April 1, 2003 and due April 1, 2023. Huntington National Bank is the bond trustee. Quarterly installments of approximately \$20,000 are due in the first five years and approximately \$55,000 for the remaining 15 years. The bonds were issued to acquire, renovate, and equip an administration building for lease to the Authority, which uses the facility as its central administration building. 3,020,000
Total \$ 3,020,000

Adjustable Rate Demand Economic Development Revenue Bonds, Series 2003

Fiscal Year	Principal	Interest	
<u>Requirements</u>	<u>Amount</u>	<u>Amount</u>	<u>Total</u>
2010	\$ 165,000	\$ 57,810	\$ 222,810
2011	220,000	71,981	291,981
2012	220,000	66,154	286,154
2013	220,000	60,327	280,327
2014	220,000	54,499	274,499
2015-2019	1,100,000	185,086	1,285,086
2020-2023	<u>875,000</u>	<u>43,209</u>	<u>918,209</u>
Remaining at June 30, 2009	<u>3,020,000</u>	<u>539,066</u>	<u>3,559,066</u>

TRUMBULL METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 9: **LONG-TERM DEBT** (Continued)

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

	Balance 06/30/2008	Additions	Deletions	Balance 06/30/2009	Due Within One Year
Bonds	\$3,465,000	\$ 0	\$ (445,000)	\$3,020,000	\$ 165,000

NOTE 10: **RESTRICTED NET ASSETS**

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

Total Restricted Net Assets \$ 262,040

NOTE 11: **LITIGATION**

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

NOTE 12: **CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS**

	Western Reserve Housing Development Corporation	Warren Housing Development Corporation	Trumbull Housing Development Corporation	Eliminations/ Adjustments	Totals
<u>Balance Sheet</u>					
Current Assets	\$ 374,780	\$ 5,399,930	\$ 7,903,816	\$(468,713)	\$13,209,813
Capital and Other Assets	4,836,116	5,277,990	2,654,855	2	12,768,963
Current Liabilities	(450,416)	(182,501)	(49,365)	70,030	(612,252)
Non-Current Liabilities	(2,855,173)	(447,275)	(5,136)	398,679	(2,908,905)
Net Assets	(1,905,307)	(10,048,144)	(10,504,170)	2	(22,457,619)
<u>Revenues, Expenses, and Change in Equity</u>					
Operating Revenue	1,716,133	2,589,359	542,771	616	4,848,879
Operating Expenses	(1,666,379)	(2,069,304)	(525,344)	996	(4,260,031)
Net Operating Income (Loss)	49,754	520,055	17,427	1,612	588,848
Net Non-Operating Revenue Over Expenses	(98,229)	135,635	277,428	(1,612)	313,222
Excess of Revenue Over Expenses	(48,475)	655,690	294,855	0	902,070

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009**

Annual Contributions Contract C-5031

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

OH12ROO850105 Project OH

Funds Approved	\$ 170,458
Funds Expended	<u>170,458</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 170,458
Funds Expended	<u>170,458</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

OH12POO850106 Project OH

Funds Approved	\$ 2,042,005
Funds Expended	<u>2,042,005</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 2,042,005
Funds Expended	<u>2,042,005</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
<u>PHA Owned Housing:</u>		
Low Rent Public Housing	14.850	\$ 3,095,337
Capital Fund Program	14.872	<u>508,095</u>
Total for PHA Owned Housing Program		<u>3,603,432</u>
<u>Section 8 Tenant Based Clusters:</u>		
<u>Housing Assistance Payments:</u>		
Housing Choice - Vouchers	14.871	<u>4,568,192</u>
Total for Section 8 Tenant Based Clusters		<u>4,568,192</u>
Resident Opportunity and Support Services	14.870	<u>21,078</u>
Total for Resident Opportunity and Support Services		<u>21,078</u>
Total U.S. Department of Housing and Urban Development		<u>8,192,702</u>
<u>U.S. Department of Labor</u>		
<u>Direct Program</u>		
Youthbuild - Administered by Western Reserve Housing Development Corporation	17.274	<u>356,277</u>
Total U.S. Department of Labor		<u>356,277</u>
TOTAL ALL PROGRAMS		<u>\$ 8,548,979</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
Trumbull Metropolitan Housing Authority
Warren, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Trumbull Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the Trumbull Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated January 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Trumbull Metropolitan Housing Authority, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Trumbull Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Trumbull Metropolitan Housing Authority, Ohio's internal control.

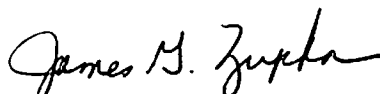
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Trumbull Metropolitan Housing Authority, Ohio's internal control.

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

Compliance and Other Matters

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

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


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

January 4, 2010

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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
Trumbull Metropolitan Housing Authority
Warren, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Trumbull Metropolitan Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The Trumbull Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Trumbull Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Trumbull Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Trumbull Metropolitan Housing Authority, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

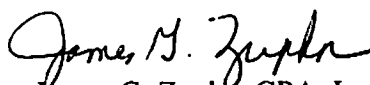
The management of the Trumbull Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Trumbull Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Trumbull Metropolitan Housing Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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


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

January 4, 2010

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS?)	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): <div style="margin-left: 40px;">Capital Fund Program - CFDA#14.872 Housing Choice Voucher - CFDA #14.871 DOL - Youthbuild - CFDA#17.274</div>	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: > all others
2009(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**TRUMBULL METROPOLITAN HOUSING AUTHORITY
STATUS PRIOR YEAR FINDINGS
JUNE 30, 2009**

The audit report for the prior year ended June 30, 2008 contained no findings or citations.



Mary Taylor, CPA
Auditor of State

TRUMBULL METROPOLITAN HOUSING AUTHORITY

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2010**