

Warren Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2008





Mary Taylor, CPA  
Auditor of State

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, 2008 through December 31, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 22, 2009

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WARREN METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2008

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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, 2008, 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, 2008, 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 June 17, 2009, 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. 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.

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Salvatore Consiglio, CPA, Inc.

June 17, 2009

**Warren Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**December 31, 2008**

**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, 2008. 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, 2008 by \$13,341,504 (net assets).
- The authority's cash balance as of December 31, 2008 was \$1,520,126 representing a decrease of \$156,033 from the prior year.
- The authority had intergovernmental revenues of \$3,864,631 in operating grants and \$207,791 of capital grants for the year-ended December 31, 2008.
- The authority ending total revenue balance was \$4,597,365 as of December 31, 2008, representing an increase of \$247,706. Total expenses were \$4,846,333, representing an increase of \$304,791.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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



**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2008**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)**

**Total Cash** of the Authority declined by \$156,033 due to the timing of deposits for HUD subsidies.

**Current Assets** (not including cash) of the Authority showed an increase of \$226,853 from 2007 to 2008. Accounts receivables HUD for Low Rent Public Housing and Capital Fund Program are the main reasons for the increase.

The following table summarizes the change in Net Assets between December 31, 2008 and 2007 for the authority as a whole:

	<u>2008</u>	<u>2007</u>	<u>NET CHANGE</u>
Cash	\$ 1,520,126	\$ 1,676,159	\$ (156,033)
Current Assets	433,035	206,182	226,853
Capital Assets - Net	11,654,262	11,994,987	(340,725)
Total Assets	<u>\$ 13,607,423</u>	<u>\$ 13,877,328</u>	<u>\$ (269,905)</u>
Current Liabilities	\$ 130,866	\$ 177,873	\$ (47,007)
Non current Liabilities	135,053	108,983	26,070
Total Liabilities	<u>\$ 265,919</u>	<u>\$ 286,856</u>	<u>\$ (20,937)</u>
Net Assets in Capital Assets	\$ 11,654,262	\$ 11,994,987	\$ (340,725)
Restricted Net Assets	393,913	327,460	66,453
Unrestricted Net Assets	1,293,329	1,268,025	(274,272)
Total Net Assets	<u>\$ 13,341,504</u>	<u>\$ 13,590,472</u>	<u>\$ (548,544)</u>

**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2008**

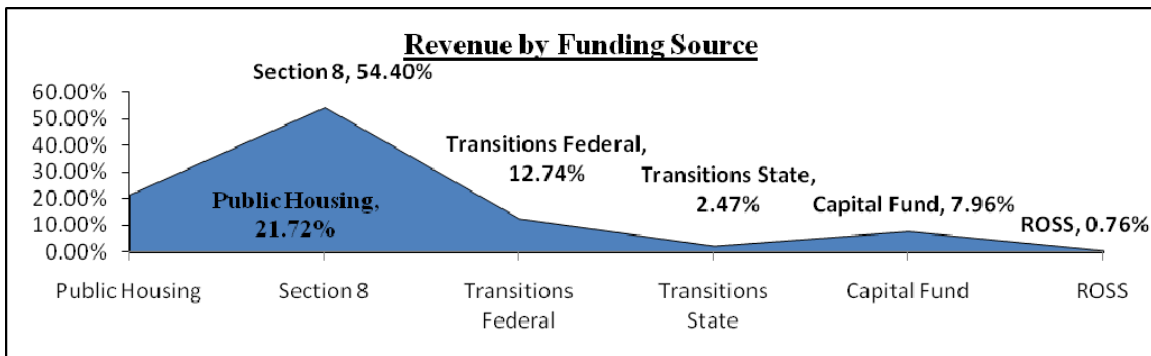
**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**

The following table summarizes the changes in operating revenue income between FYE 2008 and 2007 for the authority as a whole:

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>
Tenant Rental Revenue	\$ 405,152	\$ 453,907	\$ (48,755)
Total Operating Grants	3,864,631	3,700,960	163,671
HUD Capital Grants	207,791	114,540	93,251
Interest on Investments	5,620	8,845	(3,225)
Gain on Sale of Capital Assets	12,639	0	12,639
Other Revenue	101,532	71,407	30,125
Total Revenue	<u>4,597,365</u>	<u>4,349,659</u>	<u>247,706</u>
<b>Operating Expenses:</b>			
Administrative	879,696	804,058	75,638
Tenant Services	138,659	80,668	57,991
Utilities	101,108	97,781	3,327
Maintenance	301,640	336,035	(34,395)
General Expenses	190,556	177,526	13,030
Housing Assistance Payments	2,578,832	2,403,492	175,340
Depreciation	655,842	641,982	13,860
Total Expenses	<u>4,846,333</u>	<u>4,541,542</u>	<u>304,791</u>
Net Income/(Loss)	<u>\$ (248,968)</u>	<u>\$ (191,883)</u>	<u>\$ (57,085)</u>

The table below shows % of total revenue by funding sources.



**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2008  
Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**

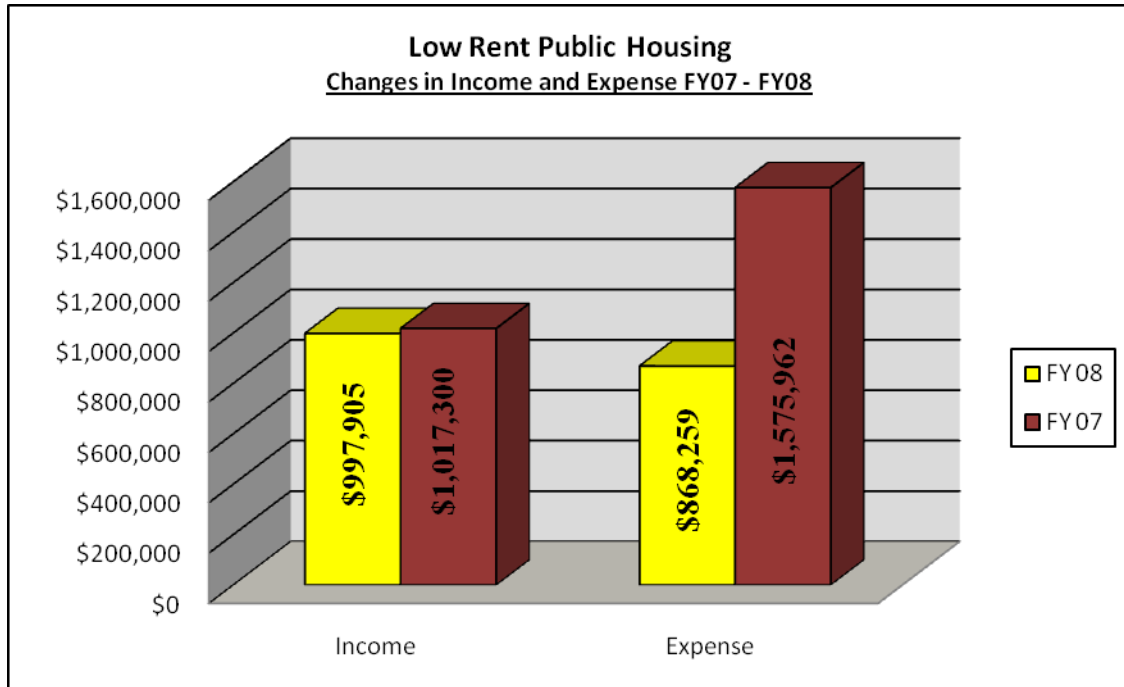
Total revenue increased by \$247,706 as compared to fiscal year ending 2007 revenue. This increase was due to WMHA receiving a higher than normal amount of subsidy for the Low Rent Public Housing Program due to a higher proration level for 2008.

HUD capital and other governmental grant increased considerably in 2008. This is owing to the aggressive stance taken by the authority to implement capital grant dollars as expeditiously as possible. The WMHA endeavors to spend these dollars quickly and effectively to improve the conditions under which our clients live.

Comparatively, FYE 2008 total expense increased from FYE 2007 by \$304,791. This increase was mainly due to administrative expenses and housing assistance payments.

Administrative expenses were higher in 2008 due to a reclassification of two employees from maintenance salaries to administrative salaries, which then caused maintenance expenses to be lower for the year. Tenant service expenses increased by \$57,991 from 2007 to 2008 due to the addition of the Resident Opportunity and Supportive Service (ROSS) grant.

Housing assistance payments (HAP) increased by \$175,340 due to the increase in leasing in the Housing Choice Voucher Program.



Note: The above table does not include depreciation

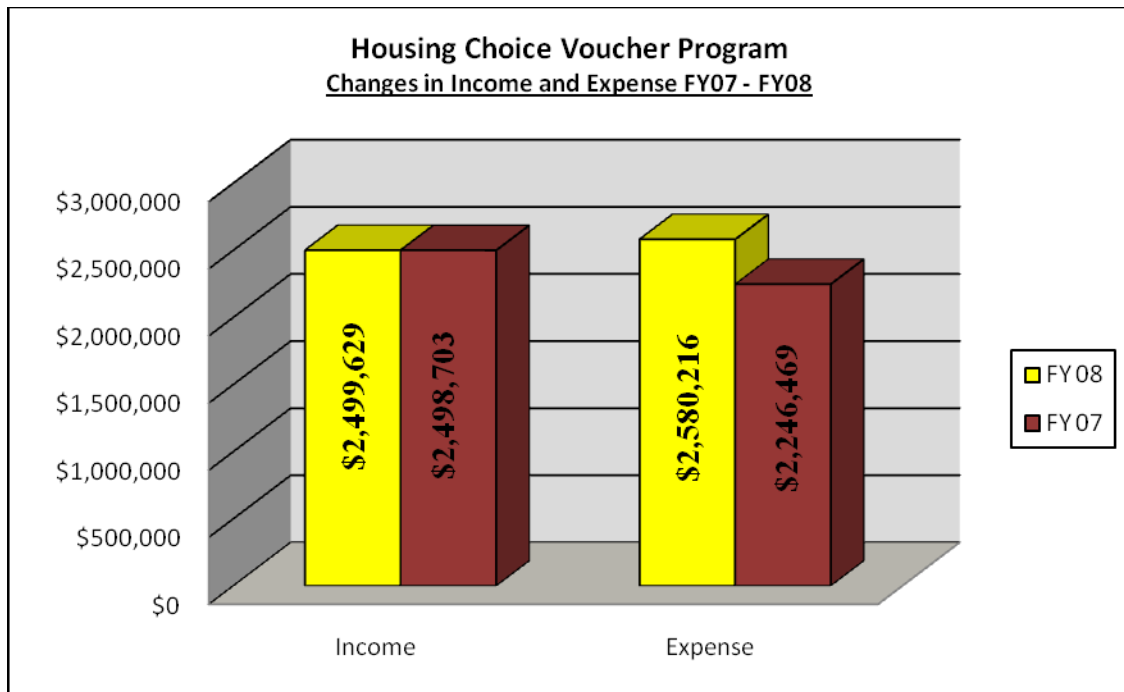
**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2008**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**

The above table shows how the income and expenses have changed between the FYE 2008 and 2007 for the Low Rent Public Housing Program. FYE 2008 total operating expenses decreased from FYE 2007 operating expenses by 45%, which is due to the implementation of Asset Management. FYE 2008 total income decreased from FYE 2007 income by 2%.

The following chart illustrates the Housing Choice Voucher Program changes in income and expenses for the years 2007-2008. Income remained stable in FYE 2008 for the HCV program. Expenses increased about 15% in FYE 2008.



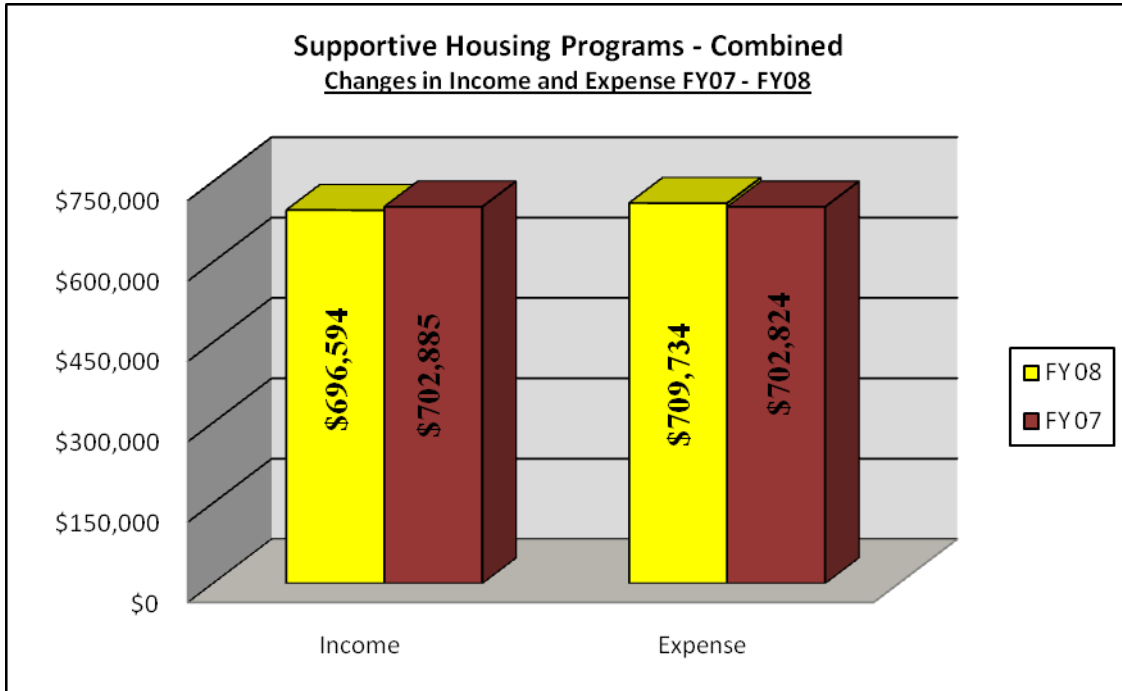
Note: The above table does not include depreciation

**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2008**

**Unaudited**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE) (continued)**

The following chart illustrates the Supportive Housing Program changes in income and expenses for the FYE 2008 and 2007. Income and expenses were stable and reflected a slight decrease in revenue and increase in expense.



Note: The above table does not include depreciation

**Warren Metropolitan Housing Authority  
MANAGEMENT'S DISCUSSION & ANALYSIS  
December 31, 2008  
Unaudited**

**CAPITAL ASSET**

The following table summarizes the changes in capital assets between December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>
Land	\$ 1,638,444	\$ 1,638,444	\$ 0
Building	17,096,466	17,095,818	648
Equipment	595,498	445,664	149,834
Construction in Progress	286,086	150,541	135,545
Total	<u>19,616,494</u>	<u>19,330,467</u>	<u>286,027</u>
Accumulated Depreciation	<u>(7,962,232)</u>	<u>(7,335,480)</u>	<u>(626,752)</u>
Net Capital Assets	<u>\$ 11,654,262</u>	<u>\$ 11,994,987</u>	<u>\$ (340,725)</u>

The increase in equipment and construction in progress is due to additional capital fund grant activities in 2008. The current year purchases were: vehicles and a boiler replacement.

**DEBT**

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: Joy A. Bankston 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, 2008**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$971,951
Restricted cash and cash equivalents	548,175
Receivables, net	412,869
Prepaid expenses and other assets	20,166
<b>Total current assets</b>	<b><u>1,953,161</u></b>

**Noncurrent assets**

**Capital assets:**

Land	1,638,444
Building and equipment	17,691,964
Construction in Progress	286,086
Less accumulated depreciation	(7,962,232)
<b>Total noncurrent assets</b>	<b><u>11,654,262</u></b>

<b>Total assets</b>	<b><u><u>\$13,607,423</u></u></b>
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**Liabilities**

**Current liabilities**

Accounts payable	\$25,935
Accrued liabilities	20,911
Intergovernmental payables	25,547
Tenant security deposits	54,619
Deferred revenue	3,854
<b>Total current liabilities</b>	<b><u>130,866</u></b>

**Noncurrent liabilities**

Accrued compensated absences non-current	35,410
Other noncurrent liabilities	99,643
<b>Total noncurrent liabilities</b>	<b><u>135,053</u></b>
<b>Total liabilities</b>	<b><u><u>\$265,919</u></u></b>

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, 2008**

***NET ASSETS***

Invested in capital assets, net of related debt	\$11,654,262
Restricted net assets	393,913
Unrestricted net assets	1,293,329
<b>Total net assets</b>	<b><u><u>\$13,341,504</u></u></b>

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, 2008**

***OPERATING REVENUES***

Tenant Revenue	\$405,152
Government operating grants	3,864,631
Other revenue	101,532
<b>Total operating revenues</b>	<b><u>4,371,315</u></b>

***OPERATING EXPENSES***

Administrative	879,696
Tenant services	138,659
Utilities	101,108
Maintenance	301,640
General	190,556
Housing assistance payment	2,578,832
Depreciation	655,842
<b>Total operating expenses</b>	<b><u>4,846,333</u></b>
<b>Operating income (loss)</b>	<b><u>(475,018)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	5,620
Gain on Sale of Fixed Assets	12,639
<b>Total nonoperating revenues (expenses)</b>	<b><u>18,259</u></b>
Income (loss) before contributions and transfers	(456,759)
Capital grants	207,791
Change in net assets	(248,968)
Total net assets - beginning	13,590,472
<b>Total net assets - ending</b>	<b><u><u>\$13,341,504</u></u></b>

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

**Warren Metropolitan Housing Authority  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating grants received	\$3,624,053
Tenant revenue received	361,890
Other revenue received	101,532
General and administrative expenses paid	(1,576,265)
Housing assistance payments	(2,578,832)

**Net cash provided (used) by operating activities** **(67,622)**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned	<u>5,620</u>
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**Net cash provided (used) by investing activities** **5,620**

**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

Capital grant funds received	207,791
Property and equipment purchased	(314,461)
Gain on sale of fixed assets	<u>12,639</u>

**Net cash provided (used) by capital and related activities** **(94,031)**

**Net increase (decrease) in cash** **(156,033)**

Cash and cash equivalents - Beginning of year 1,676,159

**Cash and cash equivalents - End of year** **\$1,520,126**

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, 2008**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$475,018)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	655,842
- (Increases) Decreases in Accounts Receivable	(228,968)
- (Increases) Decreases in Prepaid Assets	2,115
- Increases (Decreases) in Accounts Payable	9,277
- Increases (Decreases) in Accrued Payable	4,620
- Increases (Decreases) in Intergovernmental Payable	(56,908)
- Increases (Decreases) in Tenant Security Deposit Payable	1,852
- Increases (Decreases) in Other Current Liabilities	(7,637)
- Increases (Decreases) in Other Noncurrent Liabilities	15,889
- Increases (Decreases) in Accrued Compensated Absences	11,314
<b>Net cash provided by operating activities</b>	<b>(\$67,622)</b>

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, 2008

**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, 2008  
(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, 2008  
(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.

**E. Resident Opportunity and Supportive Services (ROSS)**

The ROSS Program is a HUD funded program that addresses the needs of residents by providing a service coordinator to coordinate supportive services, resident empowerment activities, and/or assisting the residents in becoming economically self-sufficient.

WARREN METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(CONTINUED)

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2008 totaled \$5,620.

**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. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	40 year
Buildings Improvements	15 years
Furniture, equipment and machinery	3-7 years

**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.

WARREN METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (CONTINUED)

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

**Compensated Absences**

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

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.

The following is a summary of changes in compensated absences for the year ended December 31, 2008:

<b><u>Description</u></b>	<b><u>Balance</u></b>			<b><u>Balance</u></b>	<b><u>Due Within</u></b>
	<b><u>12/31/07</u></b>	<b><u>Increase</u></b>	<b><u>Decrease</u></b>	<b><u>12/31/08</u></b>	<b><u>One Year</u></b>
Liability Amount	\$28,031	\$15,408	\$ 4,094	\$39,345	\$3,935

**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.



WARREN METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(CONTINUED)

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

**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 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.

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

At fiscal yearend December 31, 2008, the carrying amount of the Authority's deposits totaled \$1,520,126 and its bank balance was \$1,661,697. Based on the

WARREN METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (CONTINUED)

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

criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2008, \$1,321,463 was exposed to custodial risk as discussed below, while \$340,234 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

**NOTE 3: RESTRICTED CASH**

The restricted cash balance of \$548,175 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$393,913
FSS Escrow Cash Account for the Housing Choice Voucher and Low Rent Public Housing Programs	99,643
Tenant Security deposits in the Low Rent Public Housing Program	<u>54,619</u>
Total Restricted Cash	<u><u>\$548,175</u></u>

**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:

	<b>Balance 12/31/2007</b>	<b>Adjust.</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 12/31/2008</b>
<b>Capital Assets Not Depreciated:</b>					
Land	\$1,638,444	\$0	\$0	\$0	\$1,638,444
Construction in Progress	150,541		135,545	0	286,086
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,788,985</b>	<b>0</b>	<b>135,545</b>	<b>0</b>	<b>1,924,530</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	17,095,818	1	647	0	17,096,466
Furnt, Mach. & Equip. - Dwelling	18,521	0	0	0	18,521
Furnt, Mach. & Equip. - Admin	427,143	0	179,569	(29,735)	576,977
<b>Total Capital Assets Being Depreciated</b>	<b>17,541,482</b>	<b>1</b>	<b>180,216</b>	<b>(29,735)</b>	<b>17,691,964</b>
<b>Accumulated Depreciation:</b>					
Buildings	(7,099,068)	61,350	(601,241)	0	(7,638,959)
Furnt, Mach. & Equip. - Dwelling	(8,490)	0	(3,355)	0	(11,845)
Furnt, Mach. & Equip. - Admin	(227,922)	(61,351)	(51,246)	29,091	(311,428)
<b>Total Accumulated Depreciation</b>	<b>(7,335,480)</b>	<b>(1)</b>	<b>(655,842)</b>	<b>29,091</b>	<b>(7,962,232)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>10,206,002</b>	<b>0</b>	<b>(475,626)</b>	<b>(644)</b>	<b>9,729,732</b>
<b>Total Capital Assets, Net</b>	<b>\$11,994,987</b>	<b>\$0</b>	<b>(340,081)</b>	<b>(644)</b>	<b>11,654,262</b>

WARREN METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(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 10 percent of their annual covered salary to fund pension obligations. The 2008 employer pension contribution rate for Authority was 14 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2008, 2007, and 2006 amounted to \$98,600, \$91,842, and \$88,685 respectively. Ninety percent has been contributed for 2008. 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, 2008  
(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 retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2008 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2008 was 5.0 percent of covered payroll, which amounted to \$35,214. 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, 2007. 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 2007 was 6.5 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 .5% to 4% for the next 7 years. In subsequent years (8 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 364,076. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

WARREN METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(CONTINUED)

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

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006, 2007, and 2008 will allow additional funds to be allocated to the health care plan.

**NOTE 8: 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, 2008 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

Warren Metropolitan Housing Authority  
Schedule of Expenditures of Federal Award  
For the Year Ended December 31, 2008

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$607,828
Housing Choice Voucher Program	14.871	2,427,258
Public Housing Capital Fund Program	14.872	365,735
Supportive Housing Program	14.235	523,099
Resident Opportunity and Supportive Services	14.870	<u>35,102</u>
Total Expenditure of Federal Award		<u><u>\$3,959,022</u></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, 2008, which collectively comprise the Warren Metropolitan Housing Authority basic financial statements and have issued my report thereon dated June 17, 2009. 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 of America.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity'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 entity'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 authority's financial statements that is more than inconsequential will not be prevented or detected by the authority'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 authority's internal control.



My 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 Warren Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

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Salvatore Consiglio, CPA, Inc.

June 17, 2009



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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, 2008. 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, 2008.

### **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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an Authority'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 Authority'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 Authority'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 Authority's internal control.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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.

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Salvatore Consiglio, CPA, Inc.  
June 17, 2009

Warren Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS	
Type of Financial Statement Opinion	Unqualified
Were there any significant deficiency reported as material weakness at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any significant deficiency reported for any major federal programs as material weakness?	No
Were there any other significant deficiency reported for the major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850 Low Rent Public Housing; 14.871- Housing Choice Voucher Program; 14.872 Capital Fund Program & 14.235 Supportive Housing Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	No

Warren Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2008

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

There are no Findings or questioned costs for the year ended December 31, 2008.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There are no Findings or questioned costs for the year ended December 31, 2008.

Warren Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
December 31, 2008

The following is the status of the December 31, 2007 audit finding.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
WMHA-2007-01	Bank Reconciliation	Yes	Corrected – Bank Accounts properly reconciled
WMHA-2007-02	Compensated Leave Liability	Yes	Corrected – Liability properly calculated



**Mary Taylor, CPA**  
Auditor of State

**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  
AUGUST 4, 2009**