

Warren Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2006



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, 2006 through December 31, 2006. 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

October 11, 2007

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WARREN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

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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, 2006, 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, 2006, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 3, 2007, on my consideration of Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

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

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

Salvatore Consiglio, CPA, Inc.

August 3, 2007

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006**

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, 2006. We encourage readers to consider the information presented here in conjunction with the authority's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the authority exceeded its liabilities as of December 31, 2006 by \$13,782,355 (net assets).
- The authority's cash balance as of December 31, 2006 was \$1,180,220 representing a decrease of \$88,216 from December 31, 2005.
- The authority had revenue from HUD of \$3,259,842 in operating grants and \$39,383 of capital grants for the year-ended December 31, 2006.
- The Authority ending total revenue balance was \$3,909,234 as of December 31, 2006, representing a decrease of \$408,433. Total expenses were \$4,399,737, representing an increase of \$16,334.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY-WIDE)

Total Assets decreased by \$451,585. The decrease was mainly due to depreciation expense for the year that was posted to the accumulated depreciation.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006**

Unaudited

Current Assets (not including cash) decreased by \$24,118 due mainly to decrease in accounts receivable and change in prepaid assets.

Total Liabilities decreased by \$103,589 due to year end accrual liabilities.

The following table summarizes the change in Net Assets between December 31, 2006 and 2005 for the authority as a whole:

	<u>2006</u>	<u>2005</u>	<u>NET CHANGE</u>
Cash	\$1,180,220	\$1,268,436	(\$88,216)
Current Assets	339,199	363,308	(24,109)
Capital Assets - Net	<u>12,520,613</u>	<u>13,002,371</u>	<u>(481,758)</u>
Total Assets	<u>\$14,040,032</u>	<u>\$14,634,115</u>	<u>(\$594,083)</u>
Current Liabilities	\$226,794	\$335,977	(\$109,183)
Non current Liabilities	<u>30,874</u>	<u>25,280</u>	<u>5,594</u>
Total Liabilities	<u>\$257,668</u>	<u>\$361,257</u>	<u>(\$103,589)</u>
Invested in Capital Assets net	\$12,520,613	\$13,002,371	(\$481,758)
Unrestricted Net Assets	<u>1,261,742</u>	<u>1,270,487</u>	<u>(8,745)</u>
Total Net Assets	<u>\$ 13,782,355</u>	<u>\$ 14,272,858</u>	<u>\$ (490,503)</u>

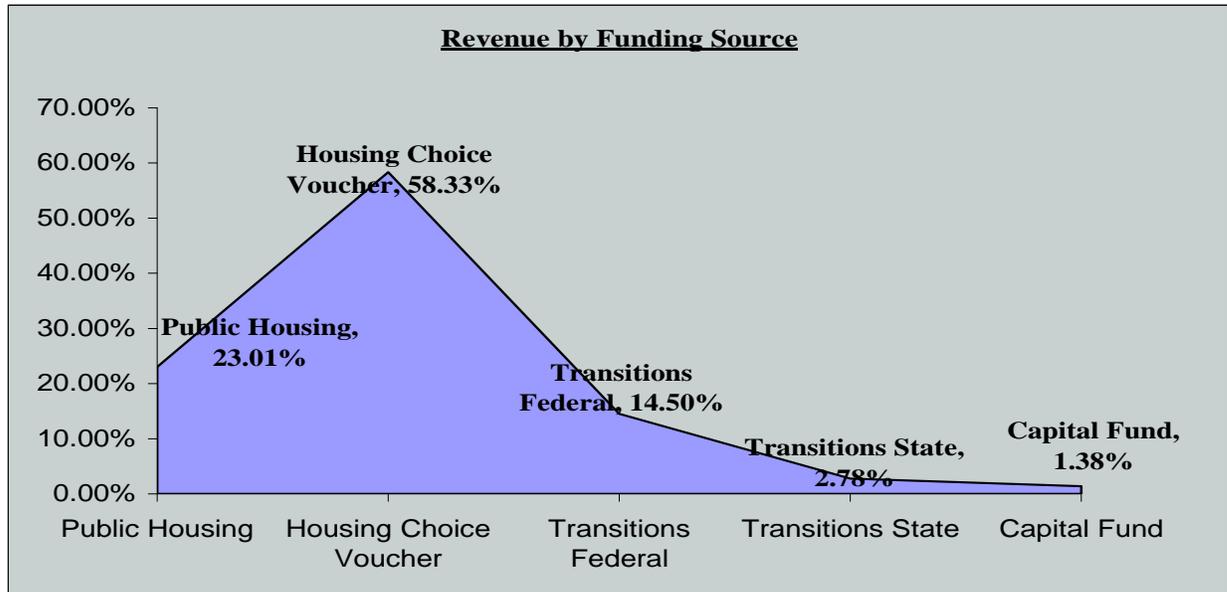
Total revenue decreased by \$474,393 as compared to fiscal year ending 2005 operating revenue. Collection of fraud recovery and change in capital grant funds were the driving force behind the change.

Comparatively, FYE 2006 total expense increased from FYE 2005 by \$16,334. This increase was due mainly to increase in housing assistance payments. Total Authority had 100% of the vouchers leased up during the year.

The table below shows total revenue by funding sources.

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006**

Unaudited

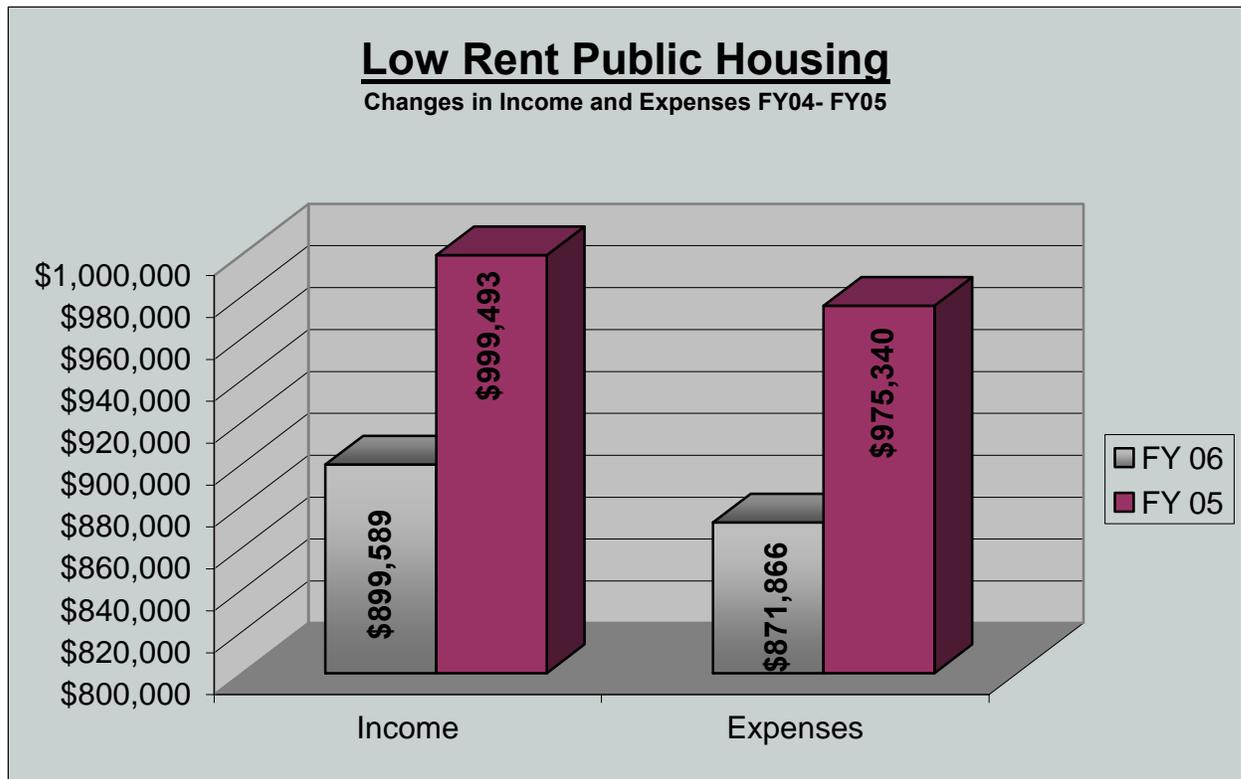


The following table summarizes the changes in operating revenue income between FYE 2006 and 2004 for the authority as a whole:

	2006	2005	Net Change
Tenant Rental Revenue	\$434,035	\$467,121	(33,086)
Total Operating Grants	3,357,757	3,439,477	(81,720)
HUD Capital Grants	39,383	257,611	(218,228)
Interest on Investments	8,716	4,995	3,721
Other Revenue	69,343	214,423	(145,080)
Total Revenue	<u>3,909,234</u>	<u>4,383,627</u>	<u>(474,393)</u>
Expenses:			
Administrative	703,044	720,322	(17,278)
Tenant Services	113,000	89,830	23,170
Utilities	78,908	81,098	(2,190)
Maintenance	315,143	371,729	(56,586)
General Expenses	199,479	238,160	(38,681)
Casualty Losses - Non-Capitali	-	1,042	(1,042)
Housing Assistance Payments	2,433,807	2,225,951	207,856
Depreciation	556,356	589,311	(32,955)
Loss of Sale of Capital Assets	-	65,960	(65,960)
Total Expenses	<u>4,399,737</u>	<u>4,383,403</u>	<u>16,334</u>
Net Income/(Loss)	<u>(\$490,503)</u>	<u>\$224</u>	<u>(\$490,727)</u>

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006**

Unaudited



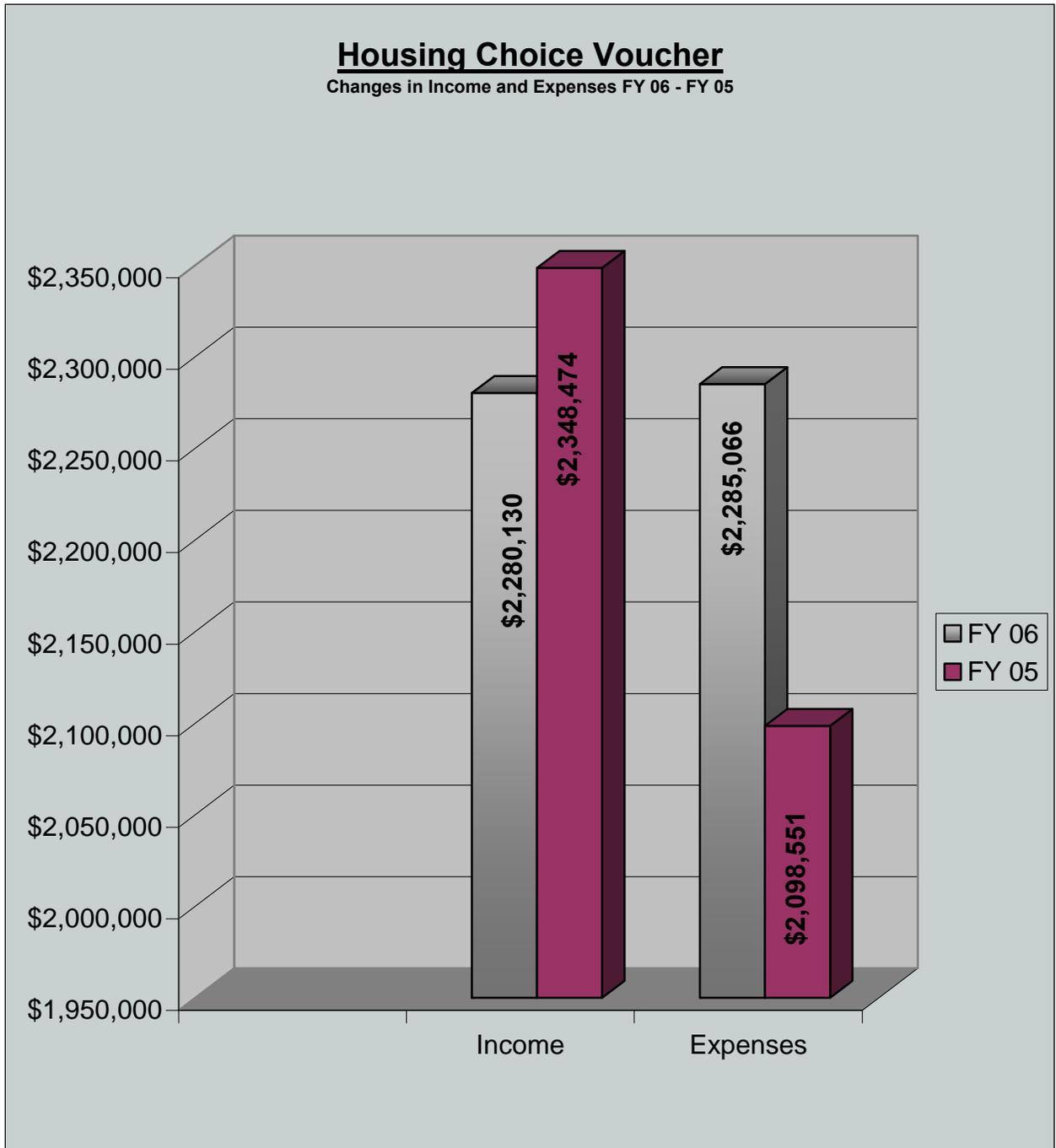
Note: The above table does not include depreciation

The above table shows how the income and expenses have changed between the FYE 2006 and 2005 for the Low Rent Public Housing Program. FYE 2006 total operating expenses decreased from FYE 2005 operating expenses by 11%. FYE 2006 total income decreased from FYE 2005 income by 10%.

As the above table revealed, the income and expenses for the Low Rent Program were stable in comparison to FYE 2005. The slide decreases were due to change in operation.

Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006

Unaudited



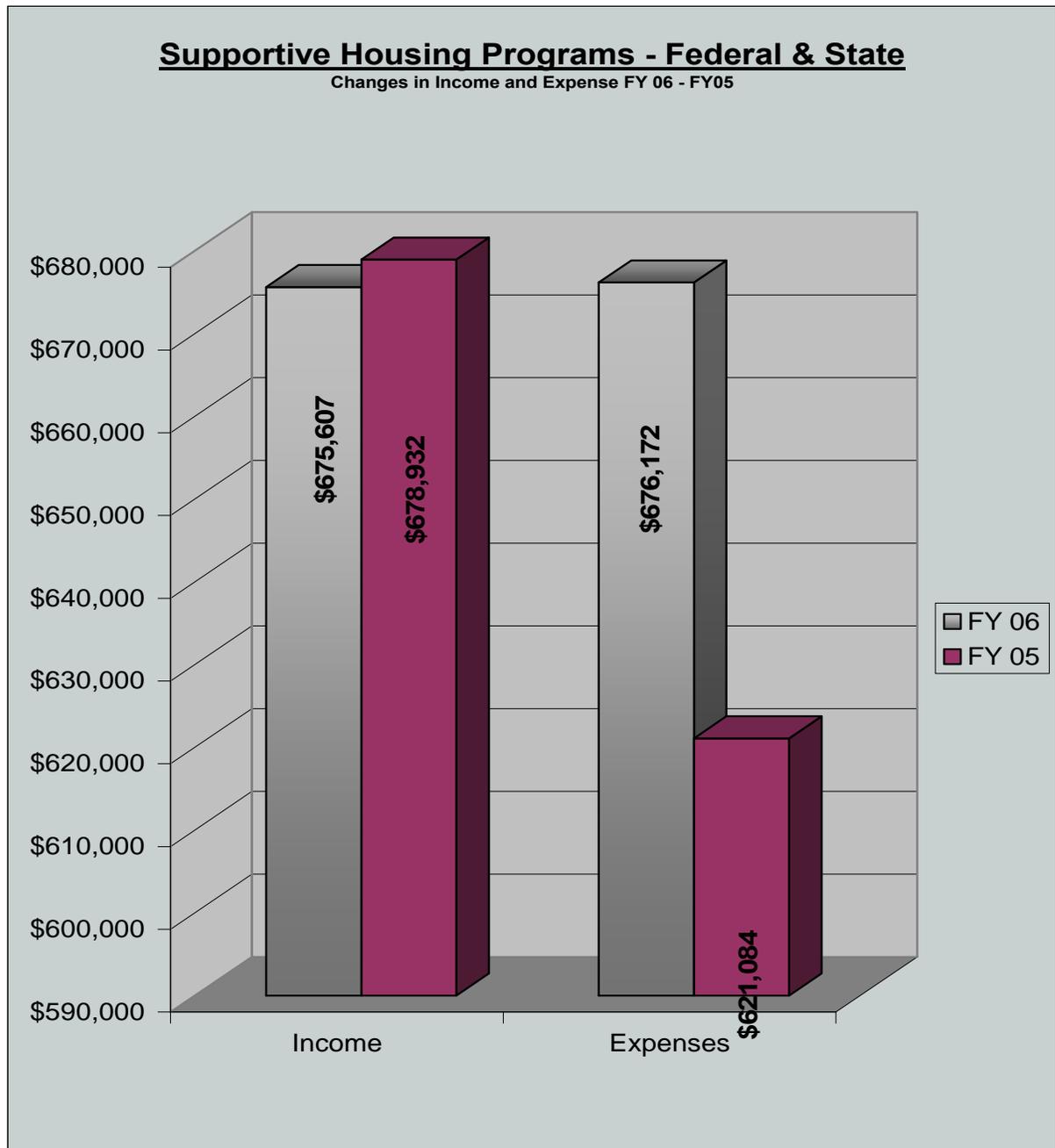
Note: The above table does not include depreciation

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006**

Unaudited

The following chart illustrates the Housing Choice Voucher Program changes in income and expenses for the FYE 2006 and 2005. Income decrease 3% and expenses increased by 9%.

The change in expenses was due to having 100% of the vouchers leased up for the year.



Note: The above table does not include depreciation

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006**

Unaudited

The following chart illustrates the Supportive Housing Program changes in income and expenses for the FYE 2006 and 2005. Income was stable and expenses increased by 9%.

The above changes were reflective to current year client served.

CAPITAL ASSET & DEBT ADMINISTRATION

The following table summarizes the changes in capital assets between December 31, 2006 and 2005:

	<u>2005</u>	<u>Restated 2005</u>	<u>Net Change</u>
Land	\$1,638,444	\$1,638,444	\$0
Building	16,848,522	16,562,383	286,139
Equipment	414,662	386,882	27,780
Construction in Progress	329,293	568,616	(239,323)
Total	<u>19,230,921</u>	<u>19,156,325</u>	<u>74,596</u>
Accumulated Depreciation	<u>6,710,308</u>	<u>6,153,952</u>	<u>556,356</u>
Net Capital Assets	<u><u>\$12,520,613</u></u>	<u><u>\$13,002,373</u></u>	<u><u>(\$481,760)</u></u>

The decrease in construction in progress is due to capital fund grant closed and transfers to public housing building. The current year purchases were: computers, copier and a printer.

DEBIT

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

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

**Warren Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION & ANALYSIS
December 31, 2006**

Unaudited

CONTACTING THE AUTHORITY

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2006

ASSETS

Current assets

Cash and cash equivalents	\$1,180,220
Receivables, net	307,825
Prepaid expenses and other assets	31,365
Total current assets	<u>1,519,410</u>

Noncurrent assets

Capital assets:	
Land	1,638,444
Building and equipment	17,263,184
Construction in Progress	329,293
Less accumulated depreciation	<u>(6,710,308)</u>
Total noncurrent assets	<u>12,520,613</u>
Total assets	<u><u>\$14,040,023</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$21,398
Accrued liabilities	10,809
Intergovernmental payables	29,476
Tenant security deposits	51,670
Deferred revenue	2,817
Other current liabilities	110,624
Total current liabilities	<u>226,794</u>

Noncurrent liabilities

Accrued compensated absences non-current	<u>30,874</u>
Total noncurrent liabilities	<u>30,874</u>
Total liabilities	<u><u>\$257,668</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2006

NET ASSETS

Invested in capital assets, net of related debt	\$12,520,613
Unrestricted net assets	<u>1,261,742</u>
Total net assets	<u><u>\$13,782,355</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

OPERATING REVENUES

Tenant Revenue	\$434,035
Government operating grants	3,357,757
Other revenue	69,343
Total operating revenues	<u>3,861,135</u>

OPERATING EXPENSES

Administrative	703,044
Tenant services	113,000
Utilities	78,908
Maintenance	315,143
General	199,479
Housing assistance payment	2,433,807
Depreciation	556,356
Total operating expenses	<u>4,399,737</u>
Operating income (loss)	<u>(538,602)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	8,716
Total nonoperating revenues (expenses)	<u>8,716</u>
Income (loss) before contributions and transfers	(529,886)

Capital grants	39,383
Change in net assets	(490,503)
Total net assets - beginning	14,272,858
Total net assets - ending	<u><u>\$13,782,355</u></u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$3,613,198
Tenant revenue received	409,967
Other revenue received	74,522
General and administrative expenses paid	(1,725,599)
Housing assistance payments	<u>(2,433,807)</u>

Net cash provided (used) by operating activities (61,719)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	<u>8,716</u>
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Net cash provided (used) by investing activities 8,716

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	39,383
Property and equipment purchased	<u>(74,596)</u>

Net cash provided (used) by capital and related activities (35,213)

Net increase (decrease) in cash (88,216)

Cash and cash equivalents - Beginning of year 1,268,436

Cash and cash equivalents - End of year \$1,180,220

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, 2006

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

Net Operating Income (Loss)	(\$538,602)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	556,356
- (Increases) Decreases in Accounts Receivable	16,620
- (Increases) Decreases in Prepaid Assets	7,496
- Increases (Decreases) in Accounts Payable	(44,817)
- Increases (Decreases) in Accounts Payable - Intergovernmental	(39,458)
- Increases (Decreases) in Accrued Expenses Payable	(3,895)
- Increases (Decreases) in Accrued Compensated Liabilities	(6,191)
- Increases (Decreases) in Other Current Liabilities	(5,269)
- Increases (Decreases) in Tenant Security Deposits	(4,586)
- Increases (Decreases) in Deffered Revenue	627
Net cash provided by operating activities	(\$61,719)

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, 2006

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, 2006
(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, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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

Description of programs

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

D. **Supportive Housing Program**

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2006 totaled \$8,716.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Net Assets

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cash and Cash Equivalents

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

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

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

Budgetary Accounting

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

Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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

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

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 year end December 31, 2006, the carrying amount of the Authority's deposits totaled \$1,180,220 and its bank balance was \$1,215,145. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2006, \$1,034,874 was exposed to custodial risk as discussed below, while \$180,271 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: 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, 2006 the Authority maintains

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 3: RISK MANAGEMENT (Continued)

comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 4: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

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

NOTE 5: CAPITAL ASSETS

The following is a summary of changes:

	Balance 12/31/05	Adjust.	Additions	Deletion	Balance 12/31/06
Capital Assets Not Depreciated:					
Land	\$1,638,444	\$0	\$0	\$0	\$1,638,444
Construction in Progress	568,616	(239,323)	0	0	329,293
Total Capital Assets Not Being Depreciated	2,207,060	(239,323)	0	0	1,967,737
Capital Assets Being Depreciated:					
Buildings	16,569,204	232,500	46,818	0	16,848,522
Furnt, Mach. & Equip. - Dwelling	18,521	0	0	0	18,521
Furnt, Mach. & Equip. - Admin	368,363	0	27,778	0	396,141
Total Capital Assets Being Depreciated	16,956,088	232,500	74,596	0	17,263,184

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 5: CAPITAL ASSETS (Continued)

Accumulated Depreciation:

Buildings	(5,982,464)	6,823	(520,580)	0	(6,496,221)
Furnt, Mach. & Equip. - Dwelling	(1,602)	0	(3,440)	0	(5,042)
Furnt, Mach. & Equip. - Admin	(176,709)	0	(32,336)	0	(209,045)
Total Accumulated Depreciation	(6,160,775)	6,823	(556,356)	0	(6,710,308)
Total Capital Assets Being Depreciated, Net	10,795,313	239,323	(481,760)	0	10,552,876
 Total Capital Assets, Net	 \$13,002,373	 \$0	 (\$481,760)	 \$0	 \$12,520,613

**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.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

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 9.0 percent of their annual covered salary to fund pension obligations. The 2006 employer pension contribution rate for Authority was 13.7 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2006, 2005, and 2004 amounted to \$88,685, \$81,798 and \$86,394 respectively. Eighty-eight percent has been contributed for 2005. All required contributions for the two previous years have been paid.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2006 employer contribution rate

(identified above) that was used to fund health care for the year ended December 31, 2006 was 4.0 percent of covered payroll, which amounted to \$25,893. The

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

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, 2005. 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 2005 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 6% for the next 9 years. In subsequent years (10 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 369,214. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

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 and in 2007 will allow additional funds to be allocated to the health care plan.

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$80,656	\$623,971	\$408,336	\$0	\$14,345	\$1,127,308
114	Cash - Tenant Security Deposits	\$0	\$52,912	\$0	\$0	\$0	\$52,912
100	Total Cash	\$80,656	\$676,883	\$408,336	\$0	\$14,345	\$1,180,220
121	Accounts Receivable - PHA Projects	\$230,623	\$0	\$0	\$0	\$0	\$230,623
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$57,958	\$0	\$57,958
126	Accounts Receivable - Tenants - Dwelling Rents	\$12,230	\$35,744	\$0	\$0	\$2,175	\$50,149
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$30,905)	\$0	\$0	\$0	(\$30,905)
128	Fraud Recovery	\$0	\$0	\$44,395	\$0	\$0	\$44,395
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	(\$44,395)	\$0	\$0	(\$44,395)
120	Total Receivables, net of allowances for doubtful accounts	\$242,853	\$4,839	\$0	\$57,958	\$2,175	\$307,825
142	Prepaid Expenses and Other Assets	\$2,308	\$18,261	\$10,796	\$0	\$0	\$31,365
144	Interprogram Due From	\$12,147	\$60,293	\$0	\$0	\$70,067	\$142,507
150	Total Current Assets	\$337,964	\$760,276	\$419,132	\$57,958	\$86,587	\$1,661,917
161	Land	\$0	\$1,638,444	\$0	\$0	\$0	\$1,638,444
162	Buildings	\$0	\$16,848,522	\$0	\$0	\$0	\$16,848,522
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$18,521	\$0	\$0	\$0	\$18,521

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
164	Furniture, Equipment & Machinery - Administration	\$55,280	\$215,577	\$119,230	\$0	\$6,054	\$396,141
166	Accumulated Depreciation	(\$38,640)	(\$6,631,176)	(\$34,438)	\$0	(\$6,054)	(\$6,710,308)
167	Construction In Progress	\$0	\$0	\$0	\$329,293	\$0	\$329,293
160	Total Fixed Assets, Net of Accumulated Depreciation	\$16,640	\$12,089,888	\$84,792	\$329,293	\$0	\$12,520,613
180	Total Non-Current Assets	\$16,640	\$12,089,888	\$84,792	\$329,293	\$0	\$12,520,613
190	Total Assets	\$354,604	\$12,850,164	\$503,924	\$387,251	\$86,587	\$14,182,530
312	Accounts Payable <= 90 Days	\$1,467	\$13,715	\$6,216	\$0	\$0	\$21,398
321	Accrued Wage/Payroll Taxes Payable	\$2,242	\$3,349	\$1,790	\$0	\$0	\$7,381
322	Accrued Compensated Absences - Current Portion	\$977	\$1,793	\$468	\$0	\$190	\$3,428
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$1,117	\$1,117
333	Accounts Payable - Other Government	\$0	\$28,359	\$0	\$0	\$0	\$28,359
341	Tenant Security Deposits	\$0	\$51,670	\$0	\$0	\$0	\$51,670
342	Deferred Revenues	\$450	\$2,287	\$0	\$0	\$80	\$2,817
345	Other Current Liabilities	\$0	\$3,431	\$0	\$0	\$0	\$3,431
346	Accrued Liabilities - Other	\$0	\$52,622	\$54,571	\$0	\$0	\$107,193
347	Interprogram Due To	\$0	\$0	\$84,549	\$57,958	\$0	\$142,507
310	Total Current Liabilities	\$5,136	\$157,226	\$147,594	\$57,958	\$1,387	\$369,301

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
354	Accrued Compensated Absences - Non Current	\$8,799	\$16,144	\$4,216	\$0	\$1,715	\$30,874
350	Total Noncurrent Liabilities	\$8,799	\$16,144	\$4,216	\$0	\$1,715	\$30,874
300	Total Liabilities	\$13,935	\$173,370	\$151,810	\$57,958	\$3,102	\$400,175
508.1	Invested in Capital Assets, Net of Related Debt	\$16,640	\$12,089,888	\$84,792	\$329,293	\$0	\$12,520,613
512.1	Unrestricted Net Assets	\$324,029	\$586,906	\$267,322	\$0	\$83,485	\$1,261,742
513	Total Equity/Net Assets	\$340,669	\$12,676,794	\$352,114	\$329,293	\$83,485	\$13,782,355
600	Total Liabilities and Equity/Net Assets	\$354,604	\$12,850,164	\$503,924	\$387,251	\$86,587	\$14,182,530
703	Net Tenant Rental Revenue	\$60,732	\$362,501	\$0	\$0	\$10,802	\$434,035
705	Total Tenant Revenue	\$60,732	\$362,501	\$0	\$0	\$10,802	\$434,035
706	HUD PHA Operating Grants	\$505,645	\$499,796	\$2,239,876	\$14,525	\$0	\$3,259,842
706.1	Capital Grants	\$0	\$0	\$0	\$39,383	\$0	\$39,383
708	Other Government Grants	\$0	\$0	\$0	\$0	\$97,915	\$97,915
711	Investment Income - Unrestricted	\$436	\$5,909	\$2,294	\$0	\$77	\$8,716
714	Fraud Recovery	\$0	\$0	\$37,960	\$0	\$0	\$37,960
715	Other Revenue	\$0	\$31,383	\$0	\$0	\$0	\$31,383

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
700	Total Revenue	\$566,813	\$899,589	\$2,280,130	\$53,908	\$108,794	\$3,909,234
911	Administrative Salaries	\$88,364	\$146,166	\$116,391	\$14,525	\$7,839	\$373,285
912	Auditing Fees	\$3,345	\$2,326	\$4,089	\$0	\$0	\$9,760
914	Compensated Absences	(\$401)	(\$1,071)	(\$4,648)	\$0	(\$71)	(\$6,191)
915	Employee Benefit Contributions - Administrative	\$21,547	\$35,843	\$27,635	\$0	\$3,119	\$88,144
916	Other Operating - Administrative	\$27,072	\$144,844	\$60,533	\$0	\$5,597	\$238,046
921	Tenant Services - Salaries	\$69,735	\$0	\$0	\$0	\$6,673	\$76,408
923	Employee Benefit Contributions - Tenant Services	\$21,241	\$0	\$0	\$0	\$1,635	\$22,876
924	Tenant Services - Other	\$12,483	\$0	\$0	\$0	\$1,233	\$13,716
931	Water	\$0	\$32,255	\$0	\$0	\$0	\$32,255
932	Electricity	\$0	\$36,014	\$0	\$0	\$0	\$36,014
933	Gas	\$0	\$10,639	\$0	\$0	\$0	\$10,639
941	Ordinary Maintenance and Operations - Labor	\$0	\$157,068	\$37,254	\$0	\$0	\$194,322
942	Ordinary Maintenance and Operations - Materials and Other	\$1,024	\$58,800	\$1,373	\$0	\$0	\$61,197
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$10,773	\$0	\$0	\$0	\$10,773
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$38,516	\$10,000	\$0	\$0	\$48,516
961	Insurance Premiums	\$14	\$145,724	\$107	\$0	\$0	\$145,845

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
963	Payments in Lieu of Taxes	\$0	\$28,359	\$0	\$0	\$0	\$28,359
964	Bad Debt - Tenant Rents	\$0	\$25,275	\$0	\$0	\$0	\$25,275
969	Total Operating Expenses	\$244,424	\$871,531	\$252,734	\$14,525	\$26,025	\$1,409,239
970	Excess Operating Revenue over Operating Expenses	\$322,389	\$28,058	\$2,027,396	\$39,383	\$82,769	\$2,499,995
971	Extraordinary Maintenance	\$0	\$335	\$0	\$0	\$0	\$335
973	Housing Assistance Payments	\$328,277	\$0	\$2,032,332	\$0	\$73,198	\$2,433,807
974	Depreciation Expense	\$4,248	\$540,334	\$11,774	\$0	\$0	\$556,356
900	Total Expenses	\$576,949	\$1,412,200	\$2,296,840	\$14,525	\$99,223	\$4,399,737
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$10,136)	(\$512,611)	(\$16,710)	\$39,383	\$9,571	(\$490,503)
1103	Beginning Equity	\$350,805	\$12,961,339	\$368,824	\$517,976	\$73,914	\$14,272,858
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$228,066	\$0	(\$228,066)	\$0	\$0
	Ending Equity	\$340,669	\$12,676,794	\$352,114	\$329,293	\$83,485	\$13,782,355

Warren Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Supportive Housing Program	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1120	Unit Months Available	648	2,496	5,376	0	72	8,592
1121	Number of Unit Months Leased	648	2,393	5,376	0	72	8,489
1117	Administrative Fee Equity	\$0	\$0	\$251,624	\$0	\$0	\$251,624
1118	Housing Assistance Payments Equity	\$0	\$0	\$100,490	\$0	\$0	\$100,490

Warren Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2006

Capital Fund Program Number OH10P04950103

1. The Program Costs are as follows:

Funds Approved	\$240,466
Funds Expended	<u>240,466</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$240,466
Funds Expended	<u>240,466</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on April 18, 2007.
4. The final costs on the certification agree to the Authority's records.

Warren Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2006

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$499,796
Housing Choice Voucher Program	14.871	2,239,876
Public Housing Capital Fund Program	14.872	53,908
Supportive Housing Program	14.235	<u>505,645</u>
Total Expenditure of Federal Award		<u>\$3,299,225</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, 2006, which collectively comprise the Warren Metropolitan Housing Authority basic financial statements and have issued my report thereon dated August 3, 2007. 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' 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.

I noted certain matters that I have reported to management of Warren Metropolitan Housing Authority in a separate letter dated August 3, 2007.

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

Salvatore Consiglio, CPA, Inc.

August 3, 2007



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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, 2006. 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, 2006. However, the result of my audit procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item WMHA-2006-1 and WMHA-2006-2.

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 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 entity's financial statements 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 a 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 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.

Warren Metropolitan Housing Authority, Ohio response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Warren Metropolitan Housing Authority, Ohio response and, accordingly, I express no opinion on it.

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.

Warren Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2006

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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no Findings or questioned costs for the year ended December 31, 2006.

Warren Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2006

3. FINDINGS REALTED TO FEDERAL AWARDS

FINDING NUMBER	WMHA-2006-1
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Eligibility

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

24 CFR 982.516 requires that as a condition of admission or continued occupancy, that the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility.

Audit procedures over 40 tenant files revealed the following errors:

- 6 files did not contain a proper signed declaration of citizenship form
- 2 files did not contain a proper signed form HUD-9886
- 3 files did not properly document verification of income
- 13 files did not properly include a signed lease
- 4 files did not contain copy of birth certificates
- 5 files did not contain copy of social security card

The above errors were the result of tenant files not been very well organized and quality assurance file review not properly performed. This resulted in the PHA not been in compliance with the above requirement.

Recommendation:

The PHA should implement a uniform system for documenting information in the tenant files.

Corrective Action Plan:

The PHA is in the process of implementing project base accounting. At part of this process it is restructuring the current system in place for processing tenant application and annual recertification system. The auditor recommendation will be considered.

Warren Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2006

FINDING NUMBER	WMHA-2006-2
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Rent Reasonableness

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

24 CFR sections 982.4, 982.54(d) (15), 982.158(f) (7), and 982.507 requires that the PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner; and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable.

Audit procedures over 40 files review revealed 6 errors were documentation of rent reasonableness was not documented.

The above errors were the result of quality assurance file review not properly performed. This resulted in the PHA not been in compliance with the above requirement.

Recommendation:

The PHA should implement a quality assurance file review.

Corrective Action Plan:

The PHA is in the process of implementing project base accounting. At part of this process it is restructuring the current system in place for processing tenant application and annual recertification system. The auditor recommendation will be considered.

Warren Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2006

The audit report for the fiscal year ending December 31, 2005 contained no audit finding.



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
NOVEMBER 8, 2007**