

**WARREN METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Warren Metropolitan Housing Authority, Warren County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 15, 2013

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**WARREN METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Warren Metropolitan Housing Authority
Lebanon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Warren Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Warren Metropolitan Housing Authority, as of December 31, 2012, and the respective changes in financial position, and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

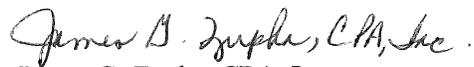
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Warren Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Costs - Completed and the Financial Data Schedules are presented for purposes of additional analysis and not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on our consideration of the Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

June 10, 2013

**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

As management of the Warren Metropolitan Housing Authority (“the Authority”), we offer this narrative and analysis of the financial activities of the Authority for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements.

FINANCIAL HIGHLIGHTS

- The Authority’s assets exceeded its liabilities as of December 31, 2012 by \$12,355,110 (net position).
- The Authority’s cash balance at December 31, 2012 was \$2,137,495, representing a decrease of \$260,598 from the prior year.
- The Authority had revenues of \$3,567,899 in HUD Operating grants and \$119,841 of HUD Capital grants for the year ended December 31, 2012.
- The Authority’s total revenues were \$4,220,685 as of December 31, 2012, representing a decrease of \$494,669. Total expenses were \$5,003,332 representing a decrease of \$29, 213.

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 Position - 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 Position - reports the Authority’s operating and non-operating revenues, 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 AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

THE AUTHORITY'S PROGRAMS

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

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

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

Total Cash of the Authority decreased by \$260,598 due to the use of the Housing Choice Voucher's Restricted Cash to cover the shortfall in HAP funding and a decrease in Public Housing Operating Subsidy.

Current Assets (not including cash) of the Authority showed an increase of \$110,043 from 2011 to 2012. The main reasons for the increase in current assets are the Other Government Account receivable for the State Program and also HUD receivables for the Capital Fund and Shelter Plus Care Programs.

Current Liabilities increased by \$161,457 due to an increase in Accounts Payable for Capital Fund Projects incurred during 2012.

**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

THE AUTHORITY'S STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to the prior year

Table 1 - Condensed Statement of Net Position Compared to Prior Year

| | <u>2012</u> | <u>2011</u> | <u>Net Change</u> |
|---|----------------------------|-----------------------------|----------------------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ 2,137,495 | \$ 2,398,093 | \$ (260,598) |
| Current Assets | 426,606 | 316,563 | 110,043 |
| Capital Assets - Net | <u>10,205,767</u> | <u>10,666,078</u> | <u>(460,311)</u> |
| Total Assets | <u>\$12,769,868</u> | <u>\$13,380,734</u> | <u>\$ (610,866)</u> |
| <u>Liabilities</u> | | | |
| Current Liabilities | \$ 286,964 | \$ 125,507 | \$ 161,457 |
| Noncurrent Liabilities | <u>127,794</u> | <u>117,470</u> | <u>10,324</u> |
| Total Liabilities | <u>414,758</u> | <u>242,977</u> | <u>171,781</u> |
| <u>Net Position</u> | | | |
| Net Investment in Capital Assets | 10,205,767 | 10,666,078 | (460,311) |
| Restricted | 241,974 | 422,959 | (180,985) |
| Unrestricted | <u>1,907,369</u> | <u>2,048,720</u> | <u>(141,351)</u> |
| Total Net Position | <u>12,355,110</u> | <u>13,137,757</u> | <u>(782,647)</u> |
| Total Liabilities and Net Position | <u>\$12,769,868</u> | <u>\$ 13,380,734</u> | <u>\$ (610,866)</u> |

For more detail information, see Statement of Net Position presented on page 12.

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**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

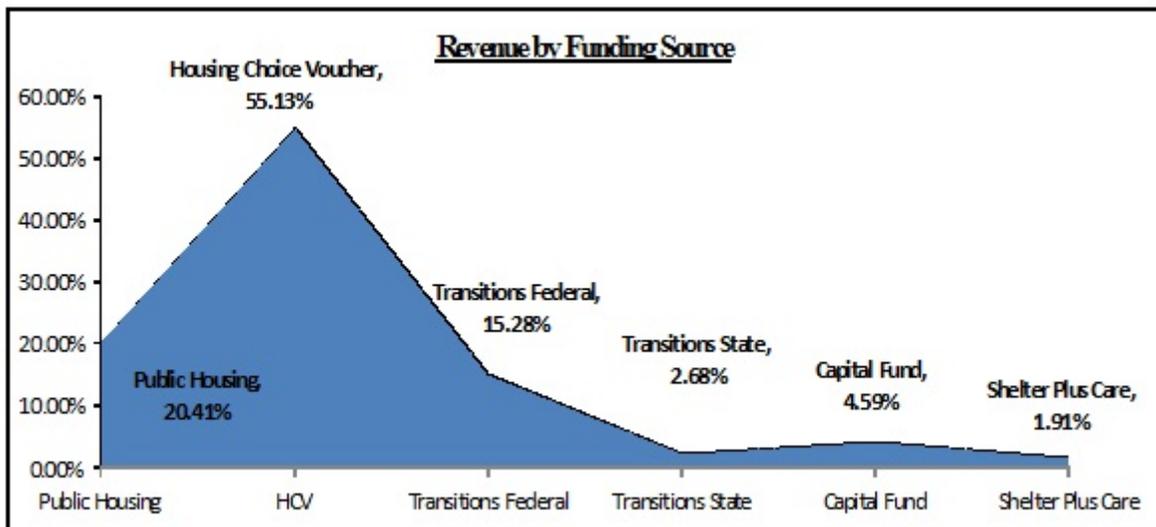
Statement of Revenues, Expenses, and Changes in Net Position

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

Table 2 - Statement of Revenues, Expenses, and Changes in Net Position

| | 2012 | 2011 | Net Change |
|--------------------------------------|---------------------|---------------------|---------------------|
| <u>Revenues</u> | | | |
| Total Tenant Revenues | \$ 339,613 | \$ 339,798 | \$ (185) |
| Operating Subsidies and Grants - HUD | 3,567,899 | 4,047,900 | (480,001) |
| Capital Grants - HUD | 119,841 | 119,184 | 657 |
| Other Government Grants - State | 113,335 | 113,400 | (65) |
| Investment Income | 3,823 | 5,784 | (1,961) |
| Gain on Sale of Capital Assets | 5,175 | 0 | 5,175 |
| Other Revenues | 70,999 | 89,288 | (18,289) |
| Total Revenues | 4,220,685 | 4,715,354 | (494,669) |
| <u>Expenses</u> | | | |
| Administrative | 777,762 | 709,116 | 68,646 |
| Tenant Services | 111,852 | 90,424 | 21,428 |
| Utilities | 84,918 | 78,459 | 6,459 |
| Maintenance | 330,391 | 326,884 | 3,507 |
| General Expenses | 241,613 | 239,621 | 1,992 |
| Housing Assistance Payments | 2,793,318 | 2,900,195 | (106,877) |
| Depreciation | 663,478 | 687,846 | (24,368) |
| Total Expenses | 5,003,332 | 5,032,545 | (29,213) |
| Net Increase (Decrease) | \$ (782,647) | \$ (317,191) | \$ (465,456) |

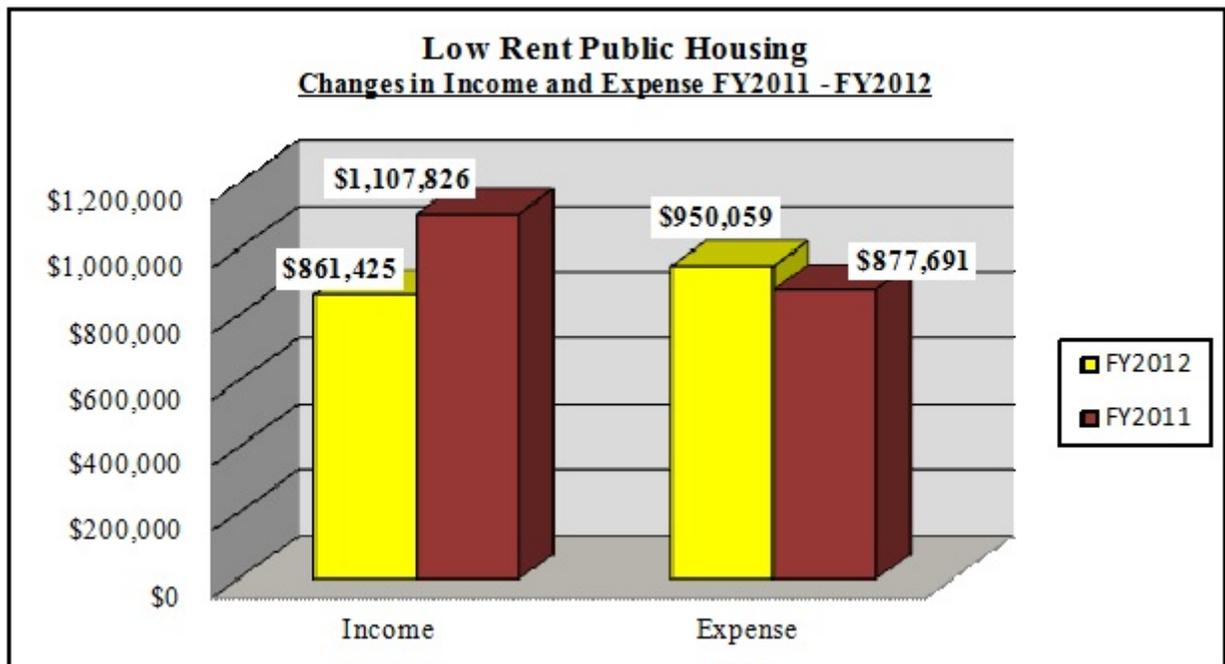
The table below shows percentage of total revenue by funding sources.



**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

The total revenues for 2012 decreased by \$494,669 as compared to fiscal year ending 2011 revenue. This decrease was mainly due to lower Housing Choice Voucher Program and Public Housing Program Subsidies.

Comparatively, fiscal year end 2012 total expense decreased from fiscal year end 2011 by \$29,213. The main reasons for lower expenses in 2012 were Housing Assistance payments and depreciation expense. However, there were Authority wide increases in salaries and benefits during fiscal year 2012.

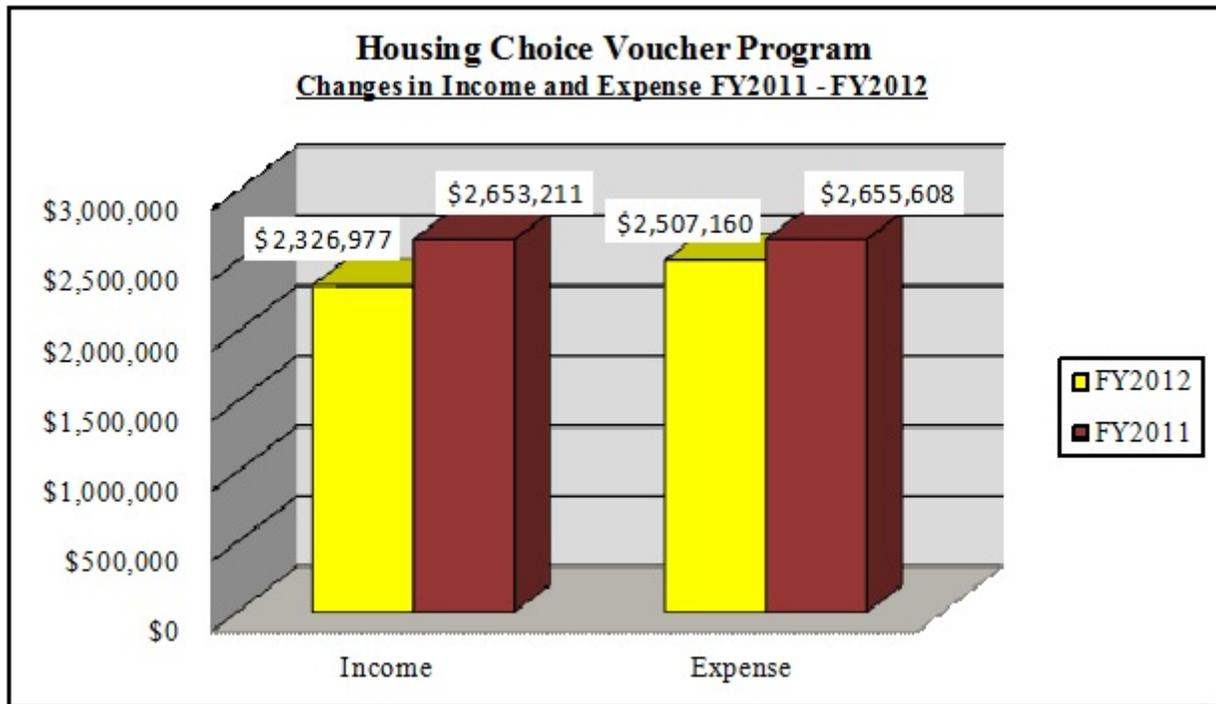


Note: The above table does not include depreciation.

The previous table shows how the income and expenses have changed between the fiscal year end 2012 and 2011 for the Low Rent Public Housing Program. Total income for fiscal year end 2012 decreased from fiscal year end 2011 income by 22 percent which is due to the Operating Subsidy Offset by HUD for 2012. Fiscal year end 2012 total operating expenses increased from fiscal year end 2011 operating expenses by 8 percent, which was caused by the additional allocation of employees to the program resulting in higher salaries and benefits.

**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

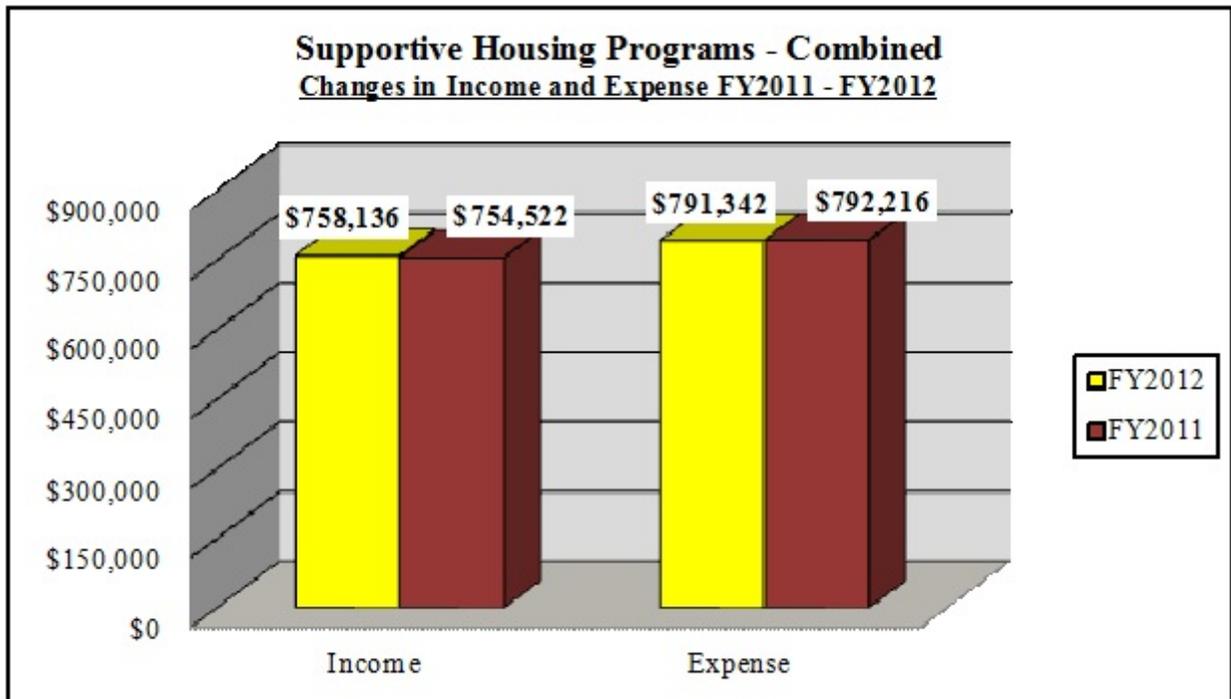
The following chart illustrates the Housing Choice Voucher Program changes in income and expenses for the years 2011-2012. Income decreased by 12 percent in fiscal year end 2012 for the HCV program due to HUD enforcing the use of HAP reserves to cover spending. Expenses decreased 6 percent in fiscal year end 2012 mainly due to a re-allocation of employees from the program resulting in lower salaries and benefits. Also, fiscal year 2012 spending on HAP decreased.



Note: The above table does not include depreciation.

**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

The following chart illustrates the Supportive Housing Program changes in income and expenses for the fiscal year ended 2012 and 2011. Income and expenses reflect no material changes in 2012.



Note: The above table does not include depreciation.

**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

Capital Assets

The following table summarizes the changes in capital assets between December 31, 2012 and 2011:

Table 3 - Condensed Statement of Changes in Capital Assets

| | <u>2012</u> | <u>2011</u> | <u>Net Change</u> |
|--------------------------|---------------------|----------------------|---------------------|
| Land | \$ 1,638,445 | \$ 1,638,445 | \$ 0 |
| Buildings | 17,789,304 | 17,587,018 | 202,286 |
| Equipment | 1,014,680 | 1,000,907 | 13,773 |
| Leasehold Improvements | 10,731 | 10,731 | 0 |
| Construction in Progress | 360,406 | 422,075 | (61,669) |
| Accumulated Depreciation | <u>(10,607,799)</u> | <u>(9,993,098)</u> | <u>(614,701)</u> |
| Total | <u>\$10,205,767</u> | <u>\$ 10,666,078</u> | <u>\$ (460,311)</u> |

The increase in buildings is due to the transfer of CFP 2007 capital assets to Public Housing. Some current year purchases include computers, a truck, and tile/tub surround replacements. Current year disposals included three authority vehicles.

Debt

The Authority had no debt at December 31, 2012.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the U.S. Department of Housing and Urban Development. It is projected that 2012 grant revenue from HUD will be 70 percent - 80 percent of expense level.
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs.

Financial Contact

The individual to be contacted regarding this report is Jacqueline Adkins, Executive Director of the Warren Metropolitan Housing Authority. Specific requests may be submitted to the Warren Metropolitan Housing Authority at 990 East Ridge Drive, Lebanon, Ohio 45036-1678.

WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

Current Assets

| | |
|--------------------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 1,767,906 |
| Restricted Cash and Cash Equivalents | 369,589 |
| Receivables, Net | 404,314 |
| Prepaid Expenses and Other Assets | <u>22,292</u> |
| Total Current Assets | <u>2,564,101</u> |

Noncurrent Assets

| | |
|---------------------------------|--------------------------|
| Capital Assets: | |
| Non-Depreciable Capital Assets | 1,998,851 |
| Depreciable Capital Assets, Net | <u>8,206,916</u> |
| Total Noncurrent Assets | <u>10,205,767</u> |

TOTAL ASSETS **\$ 12,769,868**

LIABILITIES

Liabilities

Current Liabilities

| | |
|----------------------------------|-----------------------|
| Accounts Payable | \$ 152,590 |
| Accrued Liabilities | 70,935 |
| Intergovernmental Payables | 19,005 |
| Tenant Security Deposits | 34,148 |
| Deferred Revenue | <u>10,286</u> |
| Total Current Liabilities | <u>286,964</u> |

Noncurrent Liabilities

| | |
|--|-----------------------|
| Accrued Compensated Absences Non-Current | 34,327 |
| Other Non-Current Liabilities | <u>93,467</u> |
| Total Noncurrent Liabilities | <u>127,794</u> |
| Total Liabilities | <u>414,758</u> |

Net Position

| | |
|----------------------------------|--------------------------|
| Net Investment in Capital Assets | 10,205,767 |
| Restricted | 241,974 |
| Unrestricted | <u>1,907,369</u> |
| Total Net Position | <u>12,355,110</u> |

TOTAL LIABILITIES AND NET POSITION **\$ 12,769,868**

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

WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Revenues

| | |
|---|-------------------------|
| Tenant Revenues | \$ 339,613 |
| Government Operating Grants and Subsidies | 3,681,234 |
| Other Revenues | <u>70,999</u> |
| Total Operating Revenues | <u>4,091,846</u> |

Operating Expenses

| | |
|---------------------------------|-------------------------|
| Administrative | 777,762 |
| Tenant Services | 111,852 |
| Utilities | 84,918 |
| Maintenance | 330,391 |
| General | 241,613 |
| Housing Assistance Payments | 2,793,318 |
| Depreciation | <u>663,478</u> |
| Total Operating Expenses | <u>5,003,332</u> |
| Operating Income (Loss) | <u>(911,486)</u> |

Non-Operating Revenues

| | |
|--|---------------------|
| Gain on Sale of Capital Assets | 5,175 |
| Interest and Investment Revenue | <u>3,823</u> |
| Total Non-Operating Revenues | <u>8,998</u> |
| Income (Loss) Before Contributions and Transfers | (902,488) |

| | |
|------------------------|----------------|
| Capital Grants | <u>119,841</u> |
| Change in Net Position | (782,647) |

| | |
|---|-------------------|
| Total Net Position at Beginning of Year | <u>13,137,757</u> |
|---|-------------------|

| | |
|--|-----------------------------|
| Total Net Position at End of Year | <u>\$ 12,355,110</u> |
|--|-----------------------------|

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

WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities

| | |
|---|-------------------------|
| Operating Grants Received | \$ 3,569,316 |
| Tenant Revenue Received | 343,271 |
| Other Revenue Received | 70,999 |
| Administrative Expense | (762,549) |
| Other Operating Expenses | (613,989) |
| Housing Assistance Payments | <u>(2,793,318)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(186,270)</u> |

Cash Flows from Investing Activities

| | |
|---|---------------------|
| Interest Income | <u>3,823</u> |
| Net Cash Provided (Used) by Investing Activities | <u>3,823</u> |

Cash Flows from Capital and Related Activities

| | |
|---|------------------------|
| Cash from Capital Assets Sale | 5,175 |
| Capital Grant Funds Received | 119,841 |
| Property and Equipment Purchased | <u>(203,167)</u> |
| Net Cash Provided (Used) by Capital and Related Activities | <u>(78,151)</u> |

Net Increase (Decrease) in Cash (260,598)

Cash and Cash Equivalents at Beginning of Year 2,398,093

Cash and Cash Equivalents at End of Year \$ 2,137,495

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

| | |
|--|-----------------------------------|
| Net Operating Income (Loss) | \$ (911,486) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation | 663,478 |
| (Increase) Decrease in: | |
| Accounts Receivable | (109,084) |
| Prepaid Assets | (959) |
| Increase (Decrease) in: | |
| Accounts Payable | 145,129 |
| Intergovernmental Payable | (1,169) |
| Accrued Compensated Absences | (1,460) |
| Accrued Expenses Payable | 16,673 |
| Deferred Revenue | 4,292 |
| Tenant Security Deposits | (3,468) |
| Non-Current Liabilities | <u>11,784</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ (186,270)</u></u> |

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

Reporting Entity

The Warren Metropolitan Housing Authority was created under the Ohio Revised Code Section 3735.27. The Authority contracts with the U. S. 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 No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Reporting Entity (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 financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States 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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

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

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

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.

Description of Programs

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

A. Public Housing Program

The public housing program is designed to provide low-cost housing within 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.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Description of Programs

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. Shelter Plus Care Program

The Shelter Plus Care (S+C) is a HUD funded program that provides rental assistance for hard-to-house homeless persons with disabilities in connection with supportive services funded outside the program.

Investments

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the fiscal year ending December 31, 2012 totaled \$3,823.

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WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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. 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 years |
| Building Improvements | 15 years |
| Furniture, Equipment, and Machinery | 3-7 years |

Net Position

Net Position represents the difference between assets and liabilities. Net position 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 position is 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 BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2012
 (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, and 2) it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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, 2012:

| <u>Description</u> | <u>Balance</u> 12/31/2011 | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> 12/31/2012 | <u>Due Within</u> <u>One Year</u> |
|---------------------|------------------------------|-----------------|-----------------|------------------------------|--------------------------------------|
| Liability Amount \$ | 39,763 | \$ 76,930 | \$ (78,552) | \$ 38,141 | \$ 3,814 |

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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit 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 current period of designation of depositories. Interim deposits must be evidenced by time certificates 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's 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 the 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, 2012, the carrying amount of the Authority's deposits totaled \$2,137,495, and its bank balance was \$2,179,033. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2012, \$1,926,283 was exposed to custodial risk as discussed below, while \$252,749 was covered by the Federal Deposit Insurance Corporation.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

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

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of \$369,589 on the financial statements represents the following:

| | |
|---|--------------------------|
| Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments | \$ 241,974* |
| FSS Escrow Cash Accounts for the Housing Choice Voucher and Low Rent Public Housing Programs | 93,467 |
| Tenant Security deposits in the Low Rent Public Housing Program | <u>34,148</u> |
| Total Restricted Cash | <u>\$ 369,589</u> |

* - Represents restricted net position on the Statement of Net Position.

NOTE 4: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARD**

The accompanying Schedule of Expenditures 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.

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WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of changes:

| | Balance 12/31/11 | Adjustments | Additions | Deletions | Balance 12/31/12 |
|--|----------------------|------------------|---------------------|-----------------|----------------------|
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 1,638,445 | \$ 0 | \$ 0 | \$ 0 | \$ 1,638,445 |
| Construction-in-Progress | 422,075 | (181,510) | 119,841 | 0 | 360,406 |
| Total Capital Assets Not Being Depreciated | 2,060,520 | (181,510) | 119,841 | 0 | 1,998,851 |
| Capital Assets Being Depreciated: | | | | | |
| Buildings | 17,587,018 | 202,286 | 0 | 0 | 17,789,304 |
| Furniture, Machinery, and Equipment | | | | | |
| - Dwelling | 383,611 | 12,501 | 0 | 0 | 396,112 |
| - Administrative | 617,296 | (33,277) | 83,326 | (48,777) | 618,568 |
| Leasehold Improvements | 10,731 | 0 | 0 | 0 | 10,731 |
| Total Capital Assets Being Depreciated | 18,598,656 | 181,510 | 83,326 | (48,777) | 18,814,715 |
| Accumulated Depreciation: | | | | | |
| Buildings | (9,448,424) | 0 | (567,520) | 0 | (10,015,944) |
| Furniture, Machinery, and Equipment | (544,674) | 0 | (95,958) | 48,777 | (591,855) |
| Total Accumulated Depreciation | (9,993,098) | 0 | (663,478) | 48,777 | (10,607,799) |
| Total Capital Assets Being Depreciated, Net | 8,605,558 | 181,510 | (580,152) | 0 | 8,206,916 |
| Total Capital Assets, Net | \$ 10,666,078 | \$ 0 | \$ (460,311) | \$ 0 | \$ 10,205,767 |

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides 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 issues 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) 222-5601 or (800) 222-PERS.

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

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

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

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2012, 2011, and 2010, were \$97,648, \$93,476, and \$88,744, respectively. The full amount has been contributed for 2012, 2011, and 2010. The Authority had no employees participating in the Member-Directed or Combined Plans for the years ended 2012, 2011, and 2010. All required contributions for the past three years have been paid.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

A. **Plan Description** (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employers units. Active members do not make contributions to the OPEB Plan.

OPER's Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines that portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2012, 2011 and 2010, which were used to fund post-employment benefits were \$27,899, \$26,707 and \$32,222, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 9: **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, 2012, the Authority maintained 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 10: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grants may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2012.

Litigations and Claims

In the normal course of operations the Authority may be subject to litigation and claims. At December 31, 2012 the Authority was not aware of any such matters.

NOTE 11: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

For 2012, the Authority has implemented GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

WARREN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 11: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS** (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Authority.

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government’s net position. The implementation of GASB Statement No. 63 changed the presentation of the Authority’s financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources and deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Authority.

**WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

1. The total amount of costs of the Capital Fund grant is shown below:

| | |
|---------------------------------------|----------------|
| <u>OH10S04950109</u> | |
| Funds Approved | \$ 421,580 |
| Funds Expended | <u>421,580</u> |
| Excess (Deficiency) of Funds Approved | <u>\$ 0</u> |
| | |
| Funds Advanced | \$ 421,580 |
| Funds Expended | <u>421,580</u> |
| Excess (Deficiency) of Funds Advanced | <u>\$ 0</u> |

2. All work in connection with the Grant Program has been completed.
3. The entire actual cost or liabilities incurred by the Authority have been fully paid.

WARREN METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

| | Project Total | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | 14.235 Supportive Housing Program | State/Local | COCC | Subtotal | ELIM | Total |
|---|-------------------|---|--------------------------------|--|---------------|----------------|-------------------|-----------------|-------------------|
| 111 Cash - Unrestricted | 1,048,109 | 26,834 | | 342,509 | | 347,705 | 1,765,157 | | 1,765,157 |
| 113 Cash - Other Restricted | 58,445 | 276,996 | | | | | 335,441 | | 335,441 |
| 114 Cash - Tenant Security Deposits | 34,148 | | | | | | 34,148 | | 34,148 |
| 100 Total Cash | 1,140,702 | 303,830 | 0 | 342,509 | 0 | 347,705 | 2,134,746 | 0 | 2,134,746 |
| 122 Accounts Receivable - HUD Other Projects | 206,886 | | 121,854 | | 58,298 | | 387,038 | | 387,038 |
| 125 Accounts Receivable - Miscellaneous | | | 163 | | | | 163 | | 163 |
| 126 Accounts Receivable - Tenants | 4,282 | | | 5,256 | | | 9,538 | | 9,538 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -1,491 | | | 0 | | | -1,491 | | -1,491 |
| 127 Notes, Loans, & Mortgages Receivable - Current | 741 | | | | | | 741 | | 741 |
| 128 Fraud Recovery | 12,742 | | | | | | 12,742 | | 12,742 |
| 128.1 Allowance for Doubtful Accounts - Fraud | -4,417 | | | | | | -4,417 | | -4,417 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | 218,743 | 0 | 122,017 | 5,256 | 58,298 | 0 | 404,314 | 0 | 404,314 |
| 131 Investments - Unrestricted | 2,749 | | | | | | 2,749 | | 2,749 |
| 142 Prepaid Expenses and Other Assets | 14,168 | 1,413 | | 822 | 18 | 5,871 | 22,292 | | 22,292 |
| 144 Inter Program Due From | | | | | | 179,104 | 179,104 | -179,104 | 0 |
| 150 Total Current Assets | 1,376,362 | 305,243 | 122,017 | 348,587 | 58,316 | 532,680 | 2,743,205 | -179,104 | 2,564,101 |
| 161 Land | 1,638,445 | | | | | | 1,638,445 | | 1,638,445 |
| 162 Buildings | 17,396,536 | | | | | 392,768 | 17,789,304 | | 17,789,304 |
| 163 Furniture, Equipment & Machinery - Dwellings | 396,112 | | | | | | 396,112 | | 396,112 |
| 164 Furniture, Equipment & Machinery - Administration | 250,148 | 130,230 | | 109,297 | 6,054 | 122,839 | 618,568 | | 618,568 |
| 165 Leasehold Improvements | | 8,379 | | 2,352 | | | 10,731 | | 10,731 |
| 166 Accumulated Depreciation | -10,249,278 | -60,462 | | -86,873 | -6,054 | -205,132 | -10,607,799 | | -10,607,799 |
| 167 Construction in Progress | 360,406 | | | | | | 360,406 | | 360,406 |
| 160 Total Capital Assets, Net of Accumulated Depreciation | 9,792,369 | 78,147 | 0 | 24,776 | 0 | 310,475 | 10,205,767 | 0 | 10,205,767 |
| 174 Other Assets | | | | | | | 0 | | 0 |
| 180 Total Non-Current Assets | 9,792,369 | 78,147 | 0 | 24,776 | 0 | 310,475 | 10,205,767 | 0 | 10,205,767 |
| 190 Total Assets | 11,168,731 | 383,390 | 122,017 | 373,363 | 58,316 | 843,155 | 12,948,972 | -179,104 | 12,769,868 |

WARREN METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

| | Project Total | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | 14.235 Supportive Housing Program | State/Local | COCC | Subtotal | ELIM | Total |
|---|-------------------|---|--------------------------------|--|---------------|----------------|-------------------|-----------------|-------------------|
| 312 Accounts Payable <= 90 Days | 135,427 | 3,704 | | 7,563 | 508 | 5,388 | 152,590 | | 152,590 |
| 321 Accrued Wage Payroll Taxes Payable | 9,276 | 3,039 | | 4,953 | 434 | 16,563 | 34,265 | | 34,265 |
| 322 Accrued Compensated Absences - Current Portion | 1,687 | 366 | | 889 | 29 | 843 | 3,814 | | 3,814 |
| 333 Accounts Payable - Other Government | 19,005 | | | | | | 19,005 | | 19,005 |
| 341 Tenant Security Deposits | 34,148 | | | | | | 34,148 | | 34,148 |
| 342 Deferred Revenues | 10,286 | | | | | | 10,286 | | 10,286 |
| 345 Other Current Liabilities | 13,206 | 1,940 | | | | | 15,146 | | 15,146 |
| 346 Accrued Liabilities - Other | 15,494 | 1,159 | | 622 | | 435 | 17,710 | | 17,710 |
| 347 Inter Program - Due To | | | 122,017 | | 57,087 | | 179,104 | -179,104 | 0 |
| 310 Total Current Liabilities | 238,529 | 10,208 | 122,017 | 14,027 | 58,058 | 23,229 | 466,068 | -179,104 | 286,964 |
| 353 Non-current Liabilities - Other | 58,445 | 35,022 | | | | | 93,467 | | 93,467 |
| 354 Accrued Compensated Absences - Non Current | 15,179 | 3,297 | | 8,001 | 258 | 7,592 | 34,327 | | 34,327 |
| 350 Total Non-Current Liabilities | 73,624 | 38,319 | 0 | 8,001 | 258 | 7,592 | 127,794 | 0 | 127,794 |
| 300 Total Liabilities | 312,153 | 48,527 | 122,017 | 22,028 | 58,316 | 30,821 | 593,862 | -179,104 | 414,758 |
| 508.1 Invested In Capital Assets, Net of Related Debt | 9,792,369 | 78,147 | | 24,776 | | 310,475 | 10,205,767 | | 10,205,767 |
| 511.1 Restricted Net Assets | | 241,974 | | | | | 241,974 | | 241,974 |
| 512.1 Unrestricted Net Assets | 1,064,209 | 14,742 | 0 | 326,559 | 0 | 501,859 | 1,907,369 | | 1,907,369 |
| 513 Total Equity/Net Assets | 10,856,578 | 334,863 | 0 | 351,335 | 0 | 812,334 | 12,355,110 | 0 | 12,355,110 |
| 600 Total Liabilities and Equity/Net Assets | 11,168,731 | 383,390 | 122,017 | 373,363 | 58,316 | 843,155 | 12,948,972 | -179,104 | 12,769,868 |

**WARREN METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SHEET SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Project Total | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | 14.235 Supportive Housing Program | State/Local | COCC | Subtotal | ELIM | Total |
|---|------------------|---|--------------------------------|--|----------------|----------------|------------------|-----------------|------------------|
| 70300 Net Tenant Rental Revenue | 259,192 | | | 66,124 | | | 325,316 | | 325,316 |
| 70400 Tenant Revenue - Other | 14,297 | | | | | | 14,297 | | 14,297 |
| 70500 Total Tenant Revenue | 273,489 | 0 | 0 | 66,124 | 0 | 0 | 339,613 | 0 | 339,613 |
| 70600 HUD PHA Operating Grants | 653,679 | 2,255,708 | 80,584 | 577,928 | | | 3,567,899 | | 3,567,899 |
| 70610 Capital Grants | 119,841 | | | | | | 119,841 | | 119,841 |
| 70710 Management Fee | | | | | | 247,128 | 247,128 | -247,128 | 0 |
| 70720 Asset Management Fee | | | | | | 24,960 | 24,960 | -24,960 | 0 |
| 70730 Book Keeping Fee | | | | | | 57,788 | 57,788 | -57,788 | 0 |
| 70740 Front Line Service Fee | | | | | | 10,400 | 10,400 | -10,400 | 0 |
| 70700 Total Fee Revenue | 0 | 0 | 0 | 0 | 0 | 340,276 | 340,276 | -340,276 | 0 |
| 70800 Other Government Grants | | | | | 113,335 | | 113,335 | | 113,335 |
| 71100 Investment Income - Unrestricted | 1,893 | 336 | | 749 | | 343 | 3,321 | | 3,321 |
| 71400 Fraud Recovery | | 14,571 | | | | | 14,571 | | 14,571 |
| 71500 Other Revenue | 1,917 | 54,511 | | | | | 56,428 | | 56,428 |
| 71600 Gain or Loss on Sale of Capital Assets | 3,826 | 1,349 | | | | | 5,175 | | 5,175 |
| 72000 Investment Income - Restricted | \ | 502 | | | | | 502 | | 502 |
| 70000 Total Revenue | 1,054,645 | 2,326,977 | 80,584 | 644,801 | 113,335 | 340,619 | 4,560,961 | -340,276 | 4,220,685 |
| 91100 Administrative Salaries | 115,831 | 51,814 | 5,940 | 72,373 | 11,203 | 148,863 | 406,024 | | 406,024 |
| 91200 Auditing Fees | 2,331 | 6,328 | | 1,554 | 222 | 666 | 11,101 | | 11,101 |
| 91300 Management Fee | 156,783 | 62,784 | | 27,561 | | | 247,128 | -247,128 | 0 |
| 91310 Book-keeping Fee | 18,548 | 39,240 | | | | | 57,788 | -57,788 | 0 |
| 91400 Advertising and Marketing | 511 | 299 | | | 793 | 948 | 2,551 | | 2,551 |
| 91500 Employee Benefit contributions - Administrative | 67,257 | 34,968 | 3,086 | 32,916 | 5,464 | 84,200 | 227,891 | | 227,891 |
| 91600 Office Expenses | 30,877 | 35,562 | | 11,954 | 624 | 7,075 | 86,092 | -10,400 | 75,692 |
| 91700 Legal Expense | 1,421 | | | | | 8,761 | 10,182 | | 10,182 |
| 91800 Travel | | | | 1,896 | | 575 | 2,471 | | 2,471 |
| 91900 Other | 10,195 | 2,614 | | 4,528 | 14 | 24,499 | 41,850 | | 41,850 |
| 91000 Total Operating - Administrative | 403,754 | 233,609 | 9,026 | 152,782 | 18,320 | 275,587 | 1,093,078 | -315,316 | 777,762 |

**WARREN METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SHEET SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Project Total | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | 14.235 Supportive Housing Program | 2 State/Local | COCC | Subtotal | ELIM | Total |
|--|----------------|---|--------------------------------|--|------------------|----------------|------------------|-----------------|------------------|
| 92000 Asset Management Fee | 24,960 | | | | | | 24,960 | -24,960 | 0 |
| 92100 Tenant Services - Salaries | 9,165 | | | 44,189 | 7,109 | | 60,463 | | 60,463 |
| 92300 Employee Benefit Contributions - Tenant Services | 4,953 | | | 30,181 | 4,856 | | 39,990 | | 39,990 |
| 92400 Tenant Services - Other | 2,000 | | | 8,303 | 1,096 | | 11,399 | | 11,399 |
| 92500 Total Tenant Services | 16,118 | 0 | 0 | 82,673 | 13,061 | 0 | 111,852 | 0 | 111,852 |
| 93100 Water | 34,082 | 2,748 | | 1,650 | | 1,030 | 39,510 | | 39,510 |
| 93200 Electricity | 27,654 | 4,636 | | 2,318 | | 1,748 | 36,356 | | 36,356 |
| 93300 Gas | 7,408 | 804 | | 480 | | 360 | 9,052 | | 9,052 |
| 93000 Total Utilities | 69,144 | 8,188 | 0 | 4,448 | 0 | 3,138 | 84,918 | 0 | 84,918 |
| 94100 Ordinary Maintenance and Operations - Labor | 119,306 | 7,647 | | 101 | | | 127,054 | | 127,054 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 81,434 | 8 | | 3,202 | | 4,196 | 88,840 | | 88,840 |
| 94300 Ordinary Maintenance and Operations Contracts | 35,862 | 565 | | 2,066 | 11 | 864 | 39,368 | | 39,368 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | 69,902 | 5,225 | | 2 | | | 75,129 | | 75,129 |
| 94000 Total Maintenance | 306,504 | 13,445 | 0 | 5,371 | 11 | 5,060 | 330,391 | 0 | 330,391 |
| 95200 Protective Services - Other Contract Costs | 1,173 | | | | | | 1,173 | | 1,173 |
| 95000 Total Protective Services | 1,173 | 0 | 0 | 0 | 0 | 0 | 1,173 | 0 | 1,173 |
| 96110 Property Insurance | 71,542 | 4,208 | | | | 8,417 | 84,167 | | 84,167 |
| 96120 Liability Insurance | 4,382 | 1,002 | | 501 | | 376 | 6,261 | | 6,261 |
| 96130 Workmen's Compensation | 4,945 | 1,648 | | 3,571 | 275 | 3,296 | 13,735 | | 13,735 |
| 96140 All Other Insurance | 4,695 | 1,144 | | 2,606 | 28 | 7,059 | 15,532 | | 15,532 |
| 96100 Total insurance Premiums | 85,564 | 8,002 | 0 | 6,678 | 303 | 19,148 | 119,695 | 0 | 119,695 |
| 96200 Other General Expenses | | | | | | | 0 | | 0 |
| 96210 Compensated Absences | 30,335 | 8,725 | | 17,127 | 3,090 | 19,275 | 78,552 | | 78,552 |
| 96300 Payments in Lieu of Taxes | 19,005 | | | | | | 19,005 | | 19,005 |
| 96400 Bad debt - Tenant Rents | 23,184 | | | 4 | | | 23,188 | | 23,188 |
| 96000 Total Other General Expenses | 72,524 | 8,725 | 0 | 17,131 | 3,090 | 19,275 | 120,745 | 0 | 120,745 |
| 96900 Total Operating Expenses | 979,741 | 271,969 | 9,026 | 269,083 | 34,785 | 322,208 | 1,886,812 | -340,276 | 1,546,536 |
| 97000 Excess of Operating Revenue over Operating Expenses | 74,904 | 2,055,008 | 71,558 | 375,718 | 78,550 | 18,411 | 2,674,149 | 0 | 2,674,149 |

**WARREN METROPOLITAN HOUSING AUTHORITY
 ENTITY WIDE REVENUE AND EXPENSE SHEET SUMMARY
 FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Project Total | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | 14.235 Supportive Housing Program | 2 State/Local | COCC | Subtotal | ELIM | Total |
|--|------------------|---|--------------------------------|--|------------------|----------------|------------------|-----------------|------------------|
| 97300 Housing Assistance Payments | | 2,189,273 | 71,558 | 408,726 | 78,550 | | 2,748,107 | | 2,748,107 |
| 97350 HAP Portability-In | | 45,211 | | | | | 45,211 | | 45,211 |
| 97400 Depreciation Expense | 632,524 | 5,163 | | 7,461 | | 18,330 | 663,478 | | 663,478 |
| 90000 Total Expenses | 1,612,265 | 2,511,616 | 80,584 | 685,270 | 113,335 | 340,538 | 5,343,608 | -340,276 | 5,003,332 |
| 10010 Operating Transfer In | 43,779 | | | | | | 43,779 | -43,779 | 0 |
| 10020 Operating transfer Out | -43,779 | | | | | | -43,779 | 43,779 | 0 |
| 10100 Total Other financing Sources (Uses) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total | -557,620 | -184,639 | 0 | -40,469 | 0 | 81 | -782,647 | 0 | -782,647 |
| 11030 Beginning Equity | 11,414,198 | 519,502 | 0 | 391,804 | 0 | 812,253 | 13,137,757 | | 13,137,757 |
| 11170 Administrative Fee Equity | | 92,889 | | | | | 92,889 | | 92,889 |
| 11180 Housing Assistance Payments Equity | | 241,974 | | | | | 241,974 | | 241,974 |
| 11190 Unit Months Available | 2,484 | 5,376 | 168 | 624 | 72 | | 8,724 | | 8,724 |
| 11210 Number of Unit Months Leased | 2,461 | 5,232 | 141 | 585 | 72 | | 8,491 | | 8,491 |
| 11270 Excess Cash | 986,049 | | | | | | 986,049 | | 986,049 |
| 11620 Building Purchases | 119,841 | | | | | 0 | 119,841 | | 119,841 |

**WARREN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|---------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | |
| <i>Direct Programs:</i> | | |
| <u>Public Housing Programs</u> | | |
| Low Rent Public Housing Program | 14.850 | \$ 579,957 |
| Capital Fund Program | 14.872 | <u>193,563</u> |
| Total Public Housing Programs | | <u>773,520</u> |
| <u>Section 8 Tenant Based Programs</u> | | |
| Section 8 Housing Choice Voucher Program | 14.871 | <u>2,255,708</u> |
| Total Section 8 Tenant Based Programs | | <u>2,255,708</u> |
| <u>Resident Opportunity and Support Services Program</u> | | |
| Supportive Housing Program | 14.235 | 577,928 |
| Shelter Plus Care | 14.238 | <u>80,584</u> |
| Total Resident Opportunity and Support Services Program | | <u>658,512</u> |
| Total U.S. Department of Housing and Urban Development | | <u>3,687,740</u> |
| Total Federal Awards | | <u>\$ 3,687,740</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
Lebanon, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited, in accordance with the 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, the financial statements of the Warren Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Warren Metropolitan Housing Authority, Ohio's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

June 10, 2013

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Warren Metropolitan Housing Authority
Lebanon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Warren Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2012. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Warren Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Warren Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The management of the Warren Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of the compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka CPA, Inc.
Certified Public Accountants

June 10, 2013

**WARREN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|------------|---|--|
| 2012(i) | Type of Financial Statement Opinion | Unmodified |
| 2012(ii) | Were there any material control weaknesses reported at the financial statement level? (GAGAS)? | No |
| 2012(ii) | Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)? | No |
| 2012(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2012(iv) | Were there any material internal control weaknesses reported for major Federal programs? | No |
| 2012(iv) | Were there any other significant deficiency conditions reported for major Federal programs? | No |
| 2012(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| 2012(vi) | Are there any reportable findings under .510? | No |
| 2012(vii) | Major Programs (list): Housing Choice Voucher - CFDA #14.871 | |
| 2012(viii) | Dollar Threshold: Type A\B Programs | Type A: >\$300,000 Type B: all others |
| 2012(ix) | Low Risk Auditee? | Yes |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WARREN METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The prior audit report, as of December 31, 2011, included no findings.



Dave Yost • 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
JULY 25, 2013**