

Harrison Metropolitan Housing Authority

General Purpose Financial Statements

For the Year Ended March 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Harrison Metropolitan Housing Authority
82450 Cadiz-Jewett Rd.
Cadiz, OH 43907

We have reviewed the Independent Auditor's Report of the Harrison Metropolitan Housing Authority, Harrison County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period April 1, 2003 through March 31, 2004. 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 Harrison Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

December 16, 2004

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HARRISON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2004

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Independent Auditors' Report

Board of Directors
Harrison Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Harrison Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Harrison 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 general purpose 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 financial position of Harrison Metropolitan Housing Authority, Ohio, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 14, 2004, on my consideration of Harrison Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

My Audit was performed for the purpose of forming and opinion on the financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Harrison Metropolitan Housing Authority, Ohio. The accompanying 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 Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the general purpose 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.

October 14, 2004

Harrison Metropolitan Housing Authority
 Balance Sheet
 Proprietary Fund Type – Enterprise Fund
 March 31, 2004

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	125,412
Accounts Receivable – Net of Allowance		1,180
Investment		265,542
Interporgram Due From		26,322
Deferred Charges and Other Assets		22,856

TOTAL CURRENT ASSETS 441,312

NONCURRENT ASSETS

Fixed Assets - Net of Accumulated Depreciation		2,678,793
Notes and Mortgages Receivable		1,048,206

TOTAL NONCURRENT ASSETS 3,726,999

TOTAL ASSETS \$ 4,168,311

LIABILITIES AND FUND EQUITY

CURRENT LIABILITES:

Accounts Payable	\$	20,143
Interporgram Due To		26,322
Intergovernmental Payable		21,308
Accrued Wages and Payroll Taxes		43,904
Tenant Security Deposits		15,185
Current Portion of Long-Term Debt		14,950
Deferred Credits and Other Liabilities		21,534

TOTAL CURRENT LIABILITES 163,346

Long-term Debt Net of Current 810,611

TOTAL LIABILITES 973,957

FUND EQUITY:

Total Contributed Capital		4,848,232
Retained Earnings – Unreserved		(1,653,878)

TOTAL FUND EQUITY 3,194,354

TOTAL LIABILITIES AND FUND EQUITY \$ 4,168,311

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

Harrison Metropolitan Housing Authority
Statement of Revenue, Expenses and Change in Fund Equity
Proprietary Fund Type
Enterprise Fund
For the Year Ended March 31, 2004

<u>REVENUE</u>	
Tenant Rental Revenue	\$ 170,453
Program Grants/Subsidies	1,025,475
Investment Income	34,679
Other Income	<u>68,103</u>
TOTAL REVENUE	<u>1,240,252</u>
<u>EXPENSES</u>	
Administrative Expenses	314,154
Utilities Expenses	53,816
Ordinary Maintenance and Operation	88,641
General Expenses	22,434
Housing Assistance Expenses	756,151
Interest Expense	17,964
Depreciation Expense	<u>182,909</u>
TOTAL EXPENSES	<u>1,436,069</u>
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(137,359)
Beginning Fund Equity	3,329,334
Prior Period Adjustments	<u>2,379</u>
ENDING FUND EQUITY	<u>\$ 3,194,354</u>

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

Harrison Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
For the Year Ended March 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Operating Income/(Loss)	\$ (137,359)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	182,909
- (Increases) Decreases in Accounts Receivable	(2,437)
- (Increases) Decreases in Prepaid Expenses	(501)
- Increases (Decreases) Accounts Payable	43,030
- Increases (Decreases) in Deferred Revenue	(39,925)

Total Adjustments	183,076
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NET CASH PROVIDED BY OPERATING ACTIVITIES	45,717
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Assets	(28,110)
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NET CASH USED IN INVESTING ACTIVITIES	(28,110)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Principle Payment of Debt	(11,576)
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NET CASH PROVIDED IN FINANCING ACTIVITIES	(11,576)
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,031
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CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	119,381
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CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 125,412
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The accompanying notes to the general purpose financial statements are an integral part of these statements.

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Harrison 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 Harrison 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 general purpose 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.

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(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.

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.

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

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending March 31, 2004 totaled \$34,679.

Fixed Assets

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

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 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

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

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

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

Category 3 – Uncollateralized.

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$132,338	\$132,338	\$0	\$0	\$125,412
Investments	\$265,542	265,542	0	0	265,542
Total Deposits	\$397,880	\$397,880	\$0	\$0	\$390,954

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA’s name.

Category 2 – Uninsured and unregistered, with securities held by the counterpart’s trust department or agent in the PHA’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterpart, or its trust department or agent but not in the PHA’s name.

The PHA’s nonnegotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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 March 31, 2004 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$140,679
Buildings	4,602,632
Furniture, Machinery and Equipment	<u>173,358</u>
 Total Fixed Assets	 4,916,669
Accumulated Depreciation	<u>(2,237,876)</u>
 Net Fixed Assets	 <u>\$2,678,793</u>

The following is a summary of changes:

	Balance 03/31/03	Additions	Deletion	Balance 03/31/04
Land	\$140,679	\$ 0	\$ 0	\$140,679
Buildings	4,591,772	10,860	0	4,602,632
Furniture, Machinery & Equipmen	<u>156,108</u>	<u>17,250</u>	<u>0</u>	<u>173,358</u>
 Total Fixed Assets	 <u>\$4,888,559</u>	 <u>\$28,110</u>	 <u>\$ 0</u>	 <u>\$4,916,669</u>

Depreciation expense for the year ended March 31, 2004 is \$182,909.

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All employees participate in the Public Employees Retirement System of Ohio (OPERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. OPERS provide basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. OPERS issue a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended March 31, 2004, 2003 and 2002 were \$31,945, \$31,237 and \$30,621, respectively. The full amount has been contributed for 2003 and 2002. Ninety-six percent has been contributed for 2004, with the remainder being reported as a liability with the enterprise fund.

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2003 was 5.0 percent of covered payroll, which amounted to \$11,788. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

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

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 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

NOTE 8: LONG TERM DEBT

Harrison Metropolitan Housing Authority has the following Mortgages outstanding as of March 31, 2004:

Dunfee Court

A first and second mortgage with the United State Department of Agriculture, Rural Housing Service for a 12 unit project.

- Original loan amount \$373,300 dated January 30, 1985. Term of the loan is 50 years with interest rate of 10.75%. The interest rate was discounted to 1%. Balance outstanding as of March 31, 2004 is \$237,917.
- Second loan amount \$23,580 dated April 25, 1985. Term of the loan is 50 years with an interest rate of 11.875%. The interest rate is discounted to 1%. Balance outstanding as of March 31, 2004 of \$15,682.

Gable Estate

United State Department of Agriculture, Rural Housing Service loan for a 23 unit project. The amount of the loan was \$541,516 dated April 21, 1993. The term of the loan is 50 years with interest rate of 7.75%, discounted to 1%. The outstanding balance as of March 31, 2004 is \$526,647.

HARRISON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2004
 (CONTINUED)

NOTE 8: LONG TERM DEBT (Continued)

Muskingum Street Duplex

Loan with National City Bank for the purchase of a duplex home. The loan amount is \$50,000. The term of the loan is 15 years amortized loan with an annual interest rate of 5.9% commencing on February 1, 2002 and maturing on January 1, 2012 with a balloon payment of \$22,251 on that date. Balance outstanding on March 31, 2004 is \$45,314.

The following is a summary of change in long-term debt for the year ended March 31, 2004:

Description	Balance 3/31/03	Prior Period Adjustment	Issued	Retired	Balance 3/31/04
1 st Mortgage Dunfee Court	\$245,172	\$ 0	\$ 0	\$ 7,255	\$237,917
2 nd Mortgage Dunfee Court	16,133	0	0	451	15,682
Gable Estate	528,234	0	0	1,587	526,647
Muskingum Duplex	47,598	0	0	2,283	45,315
TOTAL	<u>\$837,137</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$11,576</u>	<u>\$825,561</u>

Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
March 31, 2005	\$14,950
2006	17,010
2007	21,450
2008	25,734
2009	29,285
Later Years	<u>717,132</u>
Total	<u>\$825,561</u>

NOTE 9: 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.

HARRISON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 10: NOTE AND INTEREST RECEIVABLE

The Note and Interest receivable amount of \$1,048,207 on the financial statements represent security interest in the partnership property of Bingham Terrace Limited Partnership. Interest is accrued semiannually at 7.15%. The principal and accrued interest matures on April 1, 2006.

NOTE 11: PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$2,379 represent HUD adjustment to the form HUD-52681 for administration fee earned for the year ending March 31, 2003 for the Housing Choice Voucher Program.

Harrison Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
March 31, 2004

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash – Unrestricted	\$9,018	\$55,679	\$155	\$0	\$21,345	\$86,197
113	Cash - Other Restricted	23,699	0	0	0	0	23,699
114	Cash - Tenant Security Deposits	8,377	7,139	0	0	0	15,516
100	Total Cash	41,094	62,818	155	0	21,345	125,412
126	Accounts Receivable - Tenants - Dwelling Rents	1,053	127	0	0	0	1,180
120	Total Receivables, net of allowances for doubtful accounts	1,053	127	0	0	0	1,180
131	Investments – Unrestricted	35,935	185,141	24,885	0	19,581	265,542
142	Prepaid Expenses and Other Assets	2,279	20,166	0	0	411	22,856
144	Interprogram Due From	2	20,708	0	0	5,612	26,322
150	Total Current Assets	80,363	288,960	25,040	0	46,949	441,312
161	Land	61,977	70,702	0	4,500	3,500	140,679
162	Buildings	1,040,800	3,479,832	0	25,500	56,500	4,602,632
163	Furniture, Equipment & Machinery – Dwellings	2,646	47,523	0	0	0	50,169
164	Furniture, Equipment & Machinery – Administration	2,421	107,039	0	0	13,729	123,189
165	Leasehold Improvements	0	0	0	0	0	0
166	Accumulated Depreciation	(363,629)	(1,855,476)	0	(1,275)	(17,496)	(2,237,876)
160	Total Fixed Assets, Net of Accumulated Depreciation	744,215	1,849,620	0	28,725	56,233	2,678,793
171	Notes, Loans, & Mortgages Receivable - Non Current	0	0	0	0	1,048,206	1,048,206
180	Total Non-Current Assets	744,215	1,849,620	0	28,725	1,104,439	3,726,999
190	Total Assets	\$824,578	\$2,138,580	\$25,040	\$28,725	\$1,151,388	\$4,168,311
312	Accounts Payable <= 90 Days	\$184	\$17,020	\$0	\$0	\$2,939	\$20,143
321	Accrued Wage/Payroll Taxes Payable	0	0	0	0	17,674	17,674

Harrison Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
March 31, 2004

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
322	Accrued Compensated Absences - Current Portion	0	14,809	11,421	0	0	26,230
331	Accounts Payable – HUD PHA Programs	0	0	14,379	0	0	14,379
333	Accounts Payable - Other Government	0	6,929	0	0	0	6,929
341	Tenant Security Deposits	7,127	7,333	0	0	725	15,185
342	Deferred Revenues	0	17,668	0	0	0	17,668
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	9,850	0	0	0	5,100	14,950
345	Other Current Liabilities	147	0	0	0	0	147
346	Accrued Liabilities – Other	0	3,719	0	0	0	3,719
347	Interprogram Due To	8,938	0	5,009	0	12,375	26,322
310	Total Current Liabilities	26,246	67,478	30,809	0	38,813	163,346
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	770,396	0	0	0	40,215	810,611
350	Total Noncurrent Liabilities	770,396	0	0	0	40,215	810,611
300	Total Liabilities	796,642	67,478	30,809	0	79,028	973,957
504	Net HUD PHA Contributions	0	4,064,439	0	0	0	4,064,439
507	Other Contributions	2,000	0	0	0	781,793	783,793
508	Total Contributed Capital	2,000	4,064,439	0	0	781,793	4,848,232
512	Undesignated Fund Balance/Retained Earnings	25,936	(1,993,337)	(5,769)	28,725	290,567	(1,653,878)
513	Total Equity/Net Assets	27,936	2,071,102	(5,769)	28,725	1,072,360	3,194,354
600	Total Liabilities and Equity/Net Assets	\$824,578	\$2,138,580	\$25,040	\$28,725	\$1,151,388	\$4,168,311

Harrison Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
March 31, 2004

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$50,445	\$104,977	\$0	\$0	\$7,698	\$163,120
704	Tenant Revenue – Other	3,072	4,261	0	0	0	7,333
705	Total Tenant Revenue	53,517	109,238	0	0	7,698	170,453
706	HUD PHA Operating Grants	36,263	67,674	893,164	28,374	0	1,025,475
706.1	Capital Grants	0	0	0	0	0	0
711	Investment Income – Unrestricted	792	3,318	90	0	30,479	34,679
714	Fraud Recovery	0	0	237	0	0	237
715	Other Revenue	92	30,921	0	0	36,852	67,866
700	Total Revenue	90,664	211,151	893,491	28,374	75,029	1,298,710
911	Administrative Salaries	9,840	38,294	74,698	0	35,554	158,386
912	Auditing Fees	0	1,050	3,427	0	0	4,477
914	Compensated Absences	0	6,256	11,421	0	0	17,677
915	Employee Benefit Contributions – Administrative	0	29,472	38,075	0	2,168	69,715
916	Other Operating – Administrative	3,302	18,263	6,227	28,374	7,732	63,899
931	Water	9,869	9,168	0	0	0	19,037
932	Electricity	2,209	30,390	0	0	0	32,599
934	Fuel	671	0	0	0	0	671
938	Other Utilities Expense	1,509	0	0	0	0	1,509
941	Ordinary Maintenance and Operations – Labor	0	18,589	0	0	2,873	21,462
942	Ordinary Maintenance and Operations - Materials and Other	20,001	15,383	0	0	0	35,384
943	Ordinary Maintenance and Operations - Contract Costs	8,116	10,701	0	0	0	18,817
945	Employee Benefit Contributions - Ordinary Maintenance	0	12,038	0	0	0	12,038
961	Insurance Premiums	5,143	9,365	0	0	0	14,508
963	Payments in Lieu of Taxes	0	6,929	0	0	0	6,929
964	Bad Debt - Tenant Rents	0	997	0	0	0	997
967	Interest Expense	15,217	0	0	0	2,747	17,964

Harrison Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
March 31, 2004

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
969	Total Operating Expenses	75,877	206,895	133,848	28,374	51,074	496,069
970	Excess Operating Revenue over Operating Expenses	14,787	4,256	759,643	0	23,955	802,641
971	Extraordinary Maintenance	0	940	0	0	0	940
973	Housing Assistance Payments	0	0	756,151	0	0	756,151
974	Depreciation Expense	27,379	153,479	0	638	1,413	182,909
900	Total Expenses	103,256	361,314	889,999	29,012	52,487	1,436,069
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(12,592)	(150,163)	3,492	(638)	22,542	(137,359)
1103	Beginning Equity	40,528	2,221,265	(11,640)	29,363	1,049,818	3,329,334
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	0	0	2,379	0	0	2,379
	Ending Balance	\$27,936	\$2,071,102	(\$5,769)	\$28,725	\$1,072,360	\$3,194,354
1102	Debt Principal Payments - Enterprise Funds	\$9,293	\$0	\$0	\$0	\$2,283	\$11,576
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$79,670	\$0	\$0	\$79,670
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	801,139	0	0	801,139
1115	Contingency Reserve, ACC Program Reserve	0	0	91,190	0	0	91,190
1116	Total Annual Contributions Available	\$0	\$0	\$971,999	\$0	\$0	\$971,999
1120	Unit Months Available	336	600	3,180	0	24	4,140
1121	Number of Unit Months Leased	333	592	3,134	0	20	4,079

Harrison Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the year ended March 31, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$67,674
Housing Choice Voucher Program	14.871	893,164
Public Housing Capital Fund Program	14.872	<u>28,374</u>
Total U.S. Department of Housing and Urban Development		<u>989,212</u>
U.S. Department of Agriculture - Rural Housing Service Direct Program		
Rural Rental Housing Loan	10.415	<u>36,263</u>
Total U.S. Department of Agriculture		<u>36,263</u>
Total Expenditure of Federal Award		<u><u>\$1,025,475</u></u>



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

Board of Directors
Harrison Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Harrison Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2004, and have issued my report thereon dated October 14, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Harrison Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of internal control over financial reporting would not necessary disclose all matters in the internal controls that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.

October 14, 2004



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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
Harrison Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Harrison 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 March 31, 2004. Harrison 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 Harrison Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Harrison 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 Harrison 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 Harrison Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Harrison Metropolitan Housing Authority, Ohio complied, in all material respects, with the requirements referred to above that are applicable with each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance

The management of Harrison 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 Harrison Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

October 14, 2004

Harrison Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 March 31, 2004

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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended March 31, 2004.

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended March 31, 2004.

Harrison Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 March 31, 2004

The following are the status of the March 31, 2003 findings:

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; Finding No longer Valid; Explain:
FED-2003 -1	Exception to Subsidy Standard	Yes	Finding No longer Valid. Refund was issued to tenant.



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HARRISON METROPOLITAN HOUSING AUTHORITY

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2004**