

Harrison Metropolitan Housing Authority

General Purpose Financial Statements

For the Year Ended March 31, 2003





**Auditor of State  
Betty Montgomery**

Board of Directors  
Harrison Metropolitan Housing Authority  
Cadiz, Ohio

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, 2002 through March 31, 2003. 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 31, 2003

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HARRISON METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED MARCH 31, 2003

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Balance Sheet - Proprietary Fund Type - Enterprise Fund	3
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type - Enterprise Fund	4
Combined Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	5
Notes to the General Purpose Financial Statements	6-15
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	16-17
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	18-19
Schedule of Expenditures of Federal Awards	20
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	21-22
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	23-24
Schedule of Findings and Questioned Costs	25-26
Schedule of Prior Audit Findings	27

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## SALVATORE CONSIGLIO, CPA, INC.

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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, 2003, 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, 2003, 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 September 4, 2003, 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 Statement of Revenue and Expenses – U.S. Department of Agriculture – Rural Housing Services are 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.



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Salvatore Consiglio, CPA, Inc.

September 4, 2003



Harrison Metropolitan Housing Authority  
 Combined Balance Sheet  
 Proprietary Fund Type – Enterprise Fund  
 March 31, 2003

**ASSETS**

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 119,381
Accounts Receivable – Net of Allowance	1,519
Investment	296,445
Due From Other Programs	15,336
Deferred Charges and Other Assets	<u>22,355</u>
 TOTAL CURRENT ASSETS	 <u>455,036</u>
 NONCURRENT ASSETS	
Fixed Assets - Net of Accumulated Depreciation	2,832,955
Notes and Mortgages Receivable	<u>1,017,818</u>
 TOTAL NONCURRENT ASSETS	 <u>3,850,773</u>
 TOTAL ASSETS	 <u>\$ 4,305,809</u>

**LIABILITIES AND FUND EQUITY**

CURRENT LIABILITIES:	
Accounts Payable	\$ 6,183
Due to Other Programs	15,336
Intergovernmental Payable	6,382
Accrued Wages and Payroll Taxes	8,981
Tenant Security Deposits	15,670
Current Portion of Long-Term Debt	9,917
Deferred Credits and Other Liabilities	<u>86,786</u>
 TOTAL CURRENT LIABILITES	 149,255
Long-term Debt Net of Current	<u>827,220</u>
 TOTAL LIABILITES	 <u>976,475</u>
 FUND EQUITY:	
Total Contributed Capital	4,848,232
Retained Earnings – Unreserved	<u>(1,518,898)</u>
 TOTAL FUND EQUITY	 <u>3,329,334</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 4,305,809</u>

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

Harrison Metropolitan Housing Authority  
 Combined Statement of Revenue, Expenses and Change in Fund Equity  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended March 31, 2003

<b><u>REVENUE</u></b>	
Tenant Rental Revenue	\$ 168,223
Grant Revenue	984,806
Investment Income	17,097
Other Income	<u>70,126</u>
 TOTAL REVENUE	 <u>1,240,252</u>
<b><u>EXPENSES</u></b>	
Administrative Expenses	253,385
Utilities Expenses	58,705
Ordinary Maintenance and Operation	76,691
General Expenses	21,758
Housing Assistance Expenses	717,919
Interest Expense	21,205
Depreciation Expense	<u>189,694</u>
 TOTAL EXPENSES	 <u>1,339,357</u>
 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	  (99,105)
 Beginning Fund Equity	 3,519,741
Prior Period Adjustments	<u>(91,302)</u>
 ENDING FUND EQUITY	 <u>\$ 3,329,334</u>

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

Harrison Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Enterprise Fund  
 For the Year Ended March 31, 2003

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Operating Income/(Loss)	\$ (99,105)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	189,694
- (Increases) Decreases in Accounts Receivable	2,613
- (Increases) Decreases in Prepaid Expenses	(16,014)
- Increases (Decreases) Accounts Payable	7,579
- Increases (Decreases) in Deferred Revenue	<u>(29,828)</u>

Total Adjustments	<u>154,044</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>54,939</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

Cash transfer to Investment Account	(76,171)
Purchase of Assets	<u>(31,360)</u>

NET CASH USED IN INVESTING ACTIVITIES	<u>(107,531)</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Principle Payment of Debt	<u>(14,438)</u>
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NET CASH PROVIDED IN FINANCING ACTIVITIES	<u>(14,438)</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(67,030)
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CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>186,411</u>
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<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u><u>\$ 119,381</u></u></b>
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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, 2003

**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, 2003  
(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, 2003  
(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, 2003 totaled \$17,097.

**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, 2003  
(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, 2003  
(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	\$123,910	\$123,910	\$-0-	\$-0-	\$119,381
Investments	302,428	302,428	-0-	-0-	296,445
Total Deposits	\$426,338	\$426,338	\$-0-	\$-0-	\$415,826

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, 2003  
(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, 2003 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	4,591,772
Furniture, Machinery and Equipment	<u>156,108</u>
 Total Fixed Assets	 4,888,559
Accumulated Depreciation	<u>(2,055,604)</u>
 Net Fixed Assets	 <u>\$2,832,955</u>

The following is a summary of changes:

	<b>Balance 03/31/02</b>	<b>Prior Period Adjustment</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 03/31/03</b>
Land	\$ 136,179	\$ 0	\$4,500	\$ 0	\$140,679
Buildings	4,611,904	(45,632)	25,500	0	4,591,772
Furniture, Machinery & Equipment	185,166	(30,418)	1,360	0	156,108
 Total Fixed Assets	 <u>\$4,933,249</u>	 <u>(\$76,050)</u>	 <u>\$31,360</u>	 <u>\$ 0</u>	 <u>\$4,888,559</u>

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003  
(CONTINUED)

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

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues 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 2001 employer pension contribution rate for the Authority was 13.55 percent of cover 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, 2003, 2002 and 2001 were \$31,237, \$30,621 and \$23,799, respectively. The full amount has been contributed for 2002 and 2001. Ninety-two percent has been contributed for 2003, with the remainder being reported as a liability with the enterprise fund.

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

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003  
(CONTINUED)

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

annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. The Authority's actual contributions for 2001, which were used to fund OPEB, were \$9,718. The actual contribution and the required contribution amounts are the same. PERS's net assets available for payments of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

**NOTE 8: LONG TERM DEBT**

Harrison Metropolitan Housing Authority has the following Mortgages outstanding as of March 31, 2003:

**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, 2003 is \$245,172.
- 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, 2003 of \$16,133.

**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, 2003 is \$528,234.

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2003  
(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, 2003 is \$47,598.

The following is a summary of change in long-term debt for the year ended March 31, 2003:

Description	Balance 3/31/02	Prior Period Adjustment	Issued	Retired	Balance 3/31/03
1 <sup>st</sup> Mortgage Dunfee Court	\$254,153	\$ 0	\$ 0	\$ 8,981	\$245,172
2 <sup>nd</sup> Mortgage Dunfee Court	16,693	0	0	560	16,133
Gable Estate	530,961	0	0	2,727	528,234
Muskingum Duplex	49,768	0	0	2,170	47,598
TOTAL	\$851,575	\$ 0	\$ 0	\$14,438	\$837,578

**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.

**NOTE 10: NOTE AND INTEREST RECEIVABLE**

The Note and Interest receivable amount of \$1,017,818 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 \$91,302 was necessary to properly state the beginning fund equity. This adjustment represents the following:

HARRISON METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2003  
 (CONTINUED)

**NOTE 11: PRIOR PERIOD ADJUSTMENT** (Continued)

<b>Rural Rental Housing Loans:</b>	
- Adjustment to agree with prior audit report	\$1,105
 <b>Low Rent Public Housing:</b>	
- Adjustment to properly state accumulated depreciation	(18,280)
- Adjustment to eliminate assets recorded twice	(45,632)
- Adjustment to write-off soft cost that had been previously depreciated	(24,000)
- Adjustment to agree with prior audit report	(3,160)
 <b>Housing Choice Voucher Program:</b>	
- Adjustment for prior year administration fee earned	(393)
 <b>Board Fund:</b>	
- Adjustment to properly state accumulated depreciation	<u>(942)</u>
Total Prior Period Adjustments	<u>(\$91,302)</u>

Harrison Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
March 31, 2003

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash – Unrestricted	\$2,772	\$67,331	\$0	\$0	\$0	\$10,674	\$80,777
113	Cash - Other Restricted	23,107	0	0	0	0	0	23,107
114	Cash - Tenant Security Deposits	8,363	7,134	0	0	0	0	15,497
100	<b>Total Cash</b>	<b>34,242</b>	<b>74,465</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,674</b>	<b>119,381</b>
122	Accounts Receivable – HUD Other Projects	0	0	0	1,500	0	0	1,500
126	Accounts Receivable - Tenants - Dwelling Rents	0	19	0	0	0	0	19
126.1	Allowance for Doubtful Accounts - Dwelling Rents	0	0	0	0	0	0	0
126.2	Allowance for Doubtful Accounts – Other	0	0	0	0	0	0	0
128.1	Allowance for Doubtful Accounts – Fraud	0	0	0	0	0	0	0
120	<b>Total Receivables, net of allowances for doubtful accounts</b>	<b>0</b>	<b>19</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>1,519</b>
131	Investments – Unrestricted	40,612	231,267	0	5,709	0	18,857	296,445
142	Prepaid Expenses and Other Assets	4,008	17,895	0	0	0	452	22,355
143.1	Allowance for Obsolete Inventories	0	0	0	0	0	0	0
144	Interprogram Due From	17	775	0	0	0	14,544	15,336
150	<b>Total Current Assets</b>	<b>78,879</b>	<b>324,421</b>	<b>0</b>	<b>7,209</b>	<b>0</b>	<b>44,527</b>	<b>455,036</b>
161	Land	61,977	70,702	0	0	4,500	3,500	140,679
162	Buildings	1,029,940	3,479,832	0	0	25,500	56,500	4,591,772
163	Furniture, Equipment & Machinery – Dwellings	2,646	47,523	0	0	0	0	50,169
164	Furniture, Equipment & Machinery – Administration	2,421	89,789	0	0	0	13,729	105,939
165	Leasehold Improvements	0	0	0	0	0	0	0
166	Accumulated Depreciation	(336,250)	(1,702,634)	0	0	(637)	(16,083)	(2,055,604)
160	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	<b>760,734</b>	<b>1,985,212</b>	<b>0</b>	<b>0</b>	<b>29,363</b>	<b>57,646</b>	<b>2,832,955</b>
171	Notes, Loans, & Mortgages Receivable - Non Current	0	0	0	0	0	1,017,818	1,017,818
180	<b>Total Non-Current Assets</b>	<b>760,734</b>	<b>1,985,212</b>	<b>0</b>	<b>0</b>	<b>29,363</b>	<b>1,075,464</b>	<b>3,850,773</b>
190	<b>Total Assets</b>	<b>\$839,613</b>	<b>\$2,309,633</b>	<b>\$0</b>	<b>\$7,209</b>	<b>\$29,363</b>	<b>\$1,119,991</b>	<b>\$4,305,809</b>
312	Accounts Payable <= 90 Days	\$1,529	\$4,654	\$0	\$0	\$0	\$0	\$6,183
313	Accounts Payable >90 Days Past Due	0	0	0	0	0	0	0
321	Accrued Wage/Payroll Taxes Payable	0	0	0	0	0	8,981	8,981
322	Accrued Compensated Absences - Current Portion	0	13,378	0	13,806	0	0	27,184
333	Accounts Payable - Other Government	0	6,382	0	0	0	0	6,382
341	Tenant Security Deposits	7,129	7,841	0	0	0	700	15,670
342	Deferred Revenues	0	44,716	0	0	0	12,877	57,593

Harrison Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
March 31, 2003

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	4,886	0	0	0	0	5,031	9,917
345	Other Current Liabilities	0	1,920	0	0	0	0	1,920
346	Accrued Liabilities – Other	0	89	0	0	0	0	89
347	Interprogram Due To	888	9,388	0	5,043	0	17	15,336
310	Total Current Liabilities	14,432	88,368	0	18,849	0	27,606	149,255
Long-term Debt, Net of Current - Capital Projects/Mortgage								
351	Revenue Bonds	784,653	0	0	0	0	42,567	827,220
350	Total Noncurrent Liabilities	784,653	0	0	0	0	42,567	827,220
300	Total Liabilities	799,085	88,368	0	18,849	0	70,173	976,475
504	Net HUD PHA Contributions	0	4,064,439	0	0	0	0	4,064,439
507	Other Contributions	2,000	0	0	0	0	781,793	783,793
508	Total Contributed Capital	2,000	4,064,439	0	0	0	781,793	4,848,232
511	Total Reserved Fund Balance	0	0	0	0	0	0	0
512	Undesignated Fund Balance/Retained Earnings	38,528	(1,843,174)	0	(11,640)	29,363	268,025	(1,518,898)
513	Total Equity/Net Assets	40,528	2,221,265	0	(11,640)	29,363	1,049,818	3,329,334
600	Total Liabilities and Equity/Net Assets	\$839,613	\$2,309,633	\$0	\$7,209	\$29,363	\$1,119,991	\$4,305,809

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, 2003

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$53,808	\$102,285	\$0	\$0	\$0	\$8,283	\$164,376
704	Tenant Revenue – Other	1,789	2,058	0	0	0	0	3,847
705	Total Tenant Revenue	55,597	104,343	0	0	0	8,283	168,223
								0
706	HUD PHA Operating Grants	36,490	72,303	0	846,013	0	0	954,806
706.1	Capital Grants	0	0	0	0	30,000	0	30,000
711	Investment Income – Unrestricted	914	15,876	0	91	0	216	17,097
713.1	Cost of Sale of Assets	0	0	0	0	0	0	0
714	Fraud Recovery	0	0	0	303	0	0	303
715	Other Revenue	175	4,335	0	0	0	65,313	69,823
720	Investment Income – Restricted	0	0	0	0	0	0	0
700	Total Revenue	93,176	196,857	0	846,407	30,000	73,812	1,240,252
911	Administrative Salaries	9,181	33,312	0	70,048	0	34,380	146,921
912	Auditing Fees	1,099	1,099	0	3,586	0	0	5,784
914	Compensated Absences	0	3,035	0	0	0	0	3,035
915	Employee Benefit Contributions – Administrative	0	20,256	0	30,592	0	0	50,848
916	Other Operating – Administrative	3,376	10,257	0	25,094	0	8,070	46,797
931	Water	11,919	9,258	0	0	0	0	21,177
932	Electricity	2,969	32,462	0	0	0	0	35,431
934	Fuel	426	0	0	0	0	0	426
938	Other Utilities Expense	1,671	0	0	0	0	0	1,671
941	Ordinary Maintenance and Operations – Labor	8,540	25,536	0	0	0	0	34,076
942	Ordinary Maintenance and Operations - Materials and Other	8,546	7,169	0	0	0	0	15,715
943	Ordinary Maintenance and Operations - Contract Costs	2,948	9,876	0	0	0	0	12,824
945	Employee Benefit Contributions - Ordinary Maintenance	0	14,076	0	0	0	0	14,076
961	Insurance Premiums	5,375	8,366	0	0	0	0	13,741
962	Other General Expenses	0	0	0	0	0	0	0
963	Payments in Lieu of Taxes	0	6,382	0	0	0	0	6,382
964	Bad Debt - Tenant Rents	59	1,576	0	0	0	0	1,635
967	Interest Expense	18,327	0	0	0	0	2,878	21,205
969	Total Operating Expenses	74,436	182,660	0	129,320	0	45,328	431,744
970	Excess Operating Revenue over Operating Expenses	18,740	14,197	0	717,087	30,000	28,484	808,508
973	Housing Assistance Payments	0	0	0	717,919	0	0	717,919
974	Depreciation Expense	30,753	156,890	0	0	638	1,413	189,694
900	Total Expenses	105,189	339,550	0	847,239	638	46,741	1,339,357



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, 2003

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(12,013)	(142,693)	0	(832)	29,362	27,071	(99,105)
1103	Beginning Equity	51,436	2,412,441	399	(10,814)	42,590	1,023,689	3,519,741
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	1,105	(48,483)	(399)	6	(42,589)	(942)	(91,302)
	Ending Equity	\$40,528	\$2,221,265	\$0	(\$11,640)	\$29,363	\$1,049,818	\$3,329,334
1102	Debt Principal Payments - Enterprise Funds	\$12,268	\$0	\$0	\$0	\$0	\$2,170	\$14,438
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$429,289	\$0	\$0	\$429,289
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	405,836	0	0	405,836
1115	Contingency Reserve, ACC Program Reserve	0	0	0	98,274	0	0	98,274
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$933,399	\$0	\$0	\$933,399
1120	Unit Months Available	336	600	0	3,180	0	24	4,140
1121	Number of Unit Months Leased	329	586	0	3,039	0	23	3,977

Harrison Metropolitan Housing Authority  
 Schedule of Expenditures of Federal Award  
 For the year ended March 31, 2003

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$72,303
Housing Choice Voucher Program	14.871	846,013
Public Housing Capital Fund Program	14.872	<u>30,000</u>
Total U.S. Department of Housing and Urban Development		<u>948,316</u>
U.S. Department of Agriculture - Rural Housing Service Direct Program		
Rural Rental Housing Loan	10.415	<u>36,490</u>
Total U.S. Department of Agriculture		<u>36,490</u>
Total Expenditure of Federal Award		<u><u>\$984,806</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, 2003, and have issued my report thereon dated September 4, 2003. 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. However, I noted other matters involving the internal control over financial

reporting, which I have reported to management of Harrison Metropolitan Housing Authority in a separate letter dated September 4, 2003.

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, CPA, Inc.

September 4, 2003

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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, 2003. 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.

As described in item FED-2003-1 in the accompanying schedule of findings and questioned costs, Harrison Metropolitan Housing Authority did not comply with the requirement regarding special tests and provisions that is applicable to the Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for Harrison Metropolitan Housing Authority to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, 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, 2003.

### **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.

September 4, 2003

Harrison Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 March 31, 2003

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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	Qualified
Are there any reportable findings under § .510?	Yes
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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended March 31, 2003.

Harrison Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
March 31, 2003

3. FINDINGS REALTED TO FEDERAL AWARDS
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FINDING NUMBER
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FED-2003 -1
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US Department of Housing and Urban Development  
Housing Choice Voucher Program  
CFDA 14.871

**Exceptions to Subsidy Standards**

24 CFR 982.403 requires that PHA shall grant exceptions from the subsidy standards if the family request and the PHA determines the exceptions are justified by the relationship, age, sex, health or disability of family members, or other individual circumstances.

The result of the tenant files examined revealed one error. A tenant family size increase from 1 to 4 when the individual got married and the spouse and children moved in. This required the voucher size to increase from 1 to 2. Therefore resulting in error in the calculation of the tenant payment.

**Recommendation:**

Harrison Metropolitan Housing Authority must calculate the error in tenant payment and refund the amount to the individual.

**PHA Response:**

The tenant payment amount will be recalculated and a refund will be issued.



Harrison Metropolitan Housing Authority  
 Schedule of Prior Audit Findings  
 March 31, 2003

The following are the status of the March 31, 2002 findings:

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; Finding No longer Valid; Explain:
GAS-2002 -1	Preparation of Financial Statements	Yes	Finding No longer Valid
GAS-2002 -2	Written Fiscal Procedural Manual	Yes	Finding No longer Valid





**Auditor of State  
Betty Montgomery**

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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  
JANUARY 20, 2004**