

Harrison Metropolitan Housing Authority

Financial Statements

For the Year Ended March 31, 2005





**Auditor of State  
Betty Montgomery**

Board of Directors  
Harrison Metropolitan Housing Authority  
82450 Cadiz Jewett Road  
Cadiz, Ohio 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, 2004 to March 31, 2005. 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

January 5, 2006

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HARRISON METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED MARCH 31, 2005

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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 financial statements of the business-type activities of Harrison Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2005, which collectively comprise the Authority basic financial statements, 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 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 the business-type activities of the Harrison Metropolitan Housing Authority, Ohio, as of March 31, 2005, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, Basic financial statements – and Management's Discussion and Analysis – for State and Local Governments, as amended and interpreted, as of April 1, 2004.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 4, 2005, 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 agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

My Audit was performed for the purpose of forming and opinion on the financial statements that collectively comprise the Harrison Metropolitan Housing Authority basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



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Salvatore Consiglio, CPA, Inc.

November 4, 2005

HARRISON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005

Unaudited

The Harrison Metropolitan Housing Authority ("the Authority") Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's position, and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the 2004-2005 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

**FINANCIAL HIGHLIGHTS**

- Net assets were \$3,045,233 and \$3,194,354 for the fiscal year ending March 31, 2005 and 2004, respectively. The Authority's net assets decreased by \$194,121 or 5% during 2005. This decrease is reflective of the year's activity.
- Revenues increased by \$37,493 during 2005, and were \$1,298,710 and \$1,336,203 for 2004 and 2005, respectively.
- The total expenses of all Authority programs decreased by \$23,231. Total Expenses were \$1,436,069 and \$1,459,300 for 2004 and 2005, respectively.

**Authority Financial Statements**

The Authority financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The Statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:



HARRISON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005

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Net Assets, Invested in Capital Assets, net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenue, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

### **Fund Financial Statements**

The Authority consists of exclusively Enterprise Funds. Enterprise Funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are done so as required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

HARRISON METROPOLITAN HOUSING AUTHORITY  
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**The Authority's Programs**

**Conventional Public Housing (PH)** – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

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

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

**State and Local Program** – The State and Local Program represents the Authority's endeavors to expand operations through Enterprise Housing. Enterprise Housing consists of a duplex home owned and rented by the Authority.

**USDA Rural Development** – Under the USDA Rural Development Program, the Authority rents units that it owns to low-income households. The USDA Rural Development Program is operated under a contract with the USDA, and the USDA provides Operating Subsidy to enable the PHA to provide housing at a rent that is based upon 30% of adjusted gross household income.

HARRISON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005

Unaudited

**AUTHORITY STATEMENTS**

**Statement of Net Assets**

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1**

**STATEMENT OF NET ASSETS**

	<b><u>2005</u></b>	<b>RESTATED <u>2004</u></b>
Current Assets	\$ 413,291	\$ 441,312
Capital Assets	2,502,854	2,678,793
Noncurrent Assets	<u>1,078,594</u>	<u>1,048,206</u>
 Total Assets	 <u>\$ 3,994,739</u>	 <u>\$ 4,168,311</u>
 Current Liabilities	 \$ 154,182	 \$ 163,346
Long-Term Liabilities	<u>795,324</u>	<u>810,611</u>
 Total Liabilities	 <u>949,506</u>	 <u>973,957</u>
 Net Assets:		
Investment in Capital Assets, net of Related Debt	1,689,647	1,853,232
Restricted Net Assets	44,526	23,699
Unrestricted Net Assets	<u>1,311,060</u>	<u>1,317,423</u>
 Total Net Assets	 <u>3,045,233</u>	 <u>3,194,354</u>
 Total Liabilities and Net Assets	 <u>\$ 3,994,739</u>	 <u>\$ 4,168,311</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

HARRISON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Major Factors Affecting the Statement of Net Assets**

During 2005, current assets decreased by \$28,021, and current liabilities decreased by \$9,164. The change in these accounts was mainly due to the reporting of the current portion of the long term debt.

Capital assets also changed, decreasing from \$2,678,793 to \$2,502,854. The \$175,939 decrease may be contributed primarily to a combination of total acquisitions of \$6,593, less current year depreciation of \$178,198.

Non-current assets increased by the \$30,388. This increase represents security interest accrued in the property of Bingham Terrace Limited Partnership.

The following table presents details on the change in Net Assets.

**TABLE 2**

**CHANGE OF NET ASSETS**

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Restricted Net Assets	Total
Beginning Balance	\$4,848,232	(\$1,653,878)	\$0	\$0	\$0	\$3,194,354
Reclassification- GASB 34	(4,848,232)	1,653,878	1,853,232	1,317,423	23,699	0
Restated Beginning Balance	0	0	1,853,232	1,317,423	23,699	3,194,354
Fixed Assets Addition	0	0	6,593	(2,593)	0	4,000
Depreciation Expense	0	0	(178,198)	0	0	(178,198)
Change in Net Assets	0	0	0	51,101	0	51,101
Transfer to Restricted Net Assets	0	0	0	(20,827)	20,827	0
Current Year Debt Payment	0	0	12,353	(12,353)	0	0
Prior Period Adjustment	0	0	(4,333)	(21,691)	0	(26,024)
Ending Net Assets	\$0	\$0	\$1,689,647	\$1,311,060	\$44,526	\$3,045,233

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While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Net Assets provides a clearer presentation of financial position.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

**TABLE 3**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 181,007	\$ 170,453
Operating Subsidies	1,047,830	1,025,475
Capital Grants	4,000	-
Investment Income	36,603	34,679
Other Revenues	<u>66,763</u>	<u>68,103</u>
<b>Total Revenues</b>	<b><u>1,336,203</u></b>	<b><u>1,298,710</u></b>
<b><u>Expenses</u></b>		
Administrative	290,786	314,154
Utilities	54,618	53,816
Maintenance	133,412	88,641
General and Interest Expenses	46,914	40,398
Housing Assistance Payments	755,372	756,151
Depreciation	<u>178,198</u>	<u>182,909</u>
<b>Total Expenses</b>	<b><u>1,459,300</u></b>	<b><u>1,436,069</u></b>
<b>Net Increases (Decreases)</b>	<b><u><u>\$ (123,097)</u></u></b>	<b><u><u>\$ (137,359)</u></u></b>

HARRISON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005

Unaudited

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE,  
EXPENSES AND CHANGES IN NET ASSETS**

Tenant revenue increased (\$10,554) slightly during 2005 in comparison to 2004. The increase was likely due from revenue generated by the additional rental units. Capital Grants increased by \$4,000 from 2004 as a result of current year additions. Overall total revenue increased moderately in comparison to 2004.

The expenses increased (\$23,231) moderately due to increased inflation and due to a rise in insurance premiums which increased the health benefits by 5% for the year.

**CAPITAL ASSETS**

**Capital Assets**

As of year-end, the Authority had \$2,502,854 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$175,939 or 7% from the end of last year.

**TABLE 4**

**CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATON)**

	<u>2005</u>	<u>2004</u>
Land and Land Rights	\$ 140,679	\$ 140,679
Buildings	4,609,225	4,602,632
Equipment	177,358	173,358
Accumulated Depreciation	<u>(2,424,408)</u>	<u>(2,237,876)</u>
Total	<u>\$ 2,502,854</u>	<u>\$ 2,678,793</u>

HARRISON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005

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The following reconciliation identifies the change in Capital Assets.

**TABLE 5**

**CHANGE IN CAPITAL ASSETS**

Beginning Balance - March 31, 2004	\$	2,678,793
Current year Additions		6,593
Current year Depreciation Expense		(178,198)
Prior Period Adjustment Effecting Accumulated Depreciation		<u>(4,334)</u>
 Ending Balance - March 31, 2005	 \$	 <u><u>2,502,854</u></u>

Current year Additions are summarized as follows:

Installation of new lights	\$	<u>6,593</u>
 Total 2005 Additions	 \$	 <u><u>6,593</u></u>

**Debt Outstanding**

As of year-end, the Authority has \$813,207 in debt (mortgages) outstanding compared to \$825,560 last year.

**TABLE 6**

**CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING**

Beginning Balance - March 31, 2004	\$	825,560
Current Year Principal Payments		<u>(12,353)</u>
 Ending Balance - March 31, 2005	 \$	 <u><u>813,207</u></u>

HARRISON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2005

Unaudited

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**IN CONCLUSION**

Harrison Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the sound financial condition of the Authority.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Danielle Manbeck, Finance Officer of the Harrison Metropolitan Housing Authority. Specific requests may be submitted to Danielle Manbeck, Finance Officer, Harrison Metropolitan Housing Authority, and P.O. Box 146 Cadiz, OH 43907



**HARRISON METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2005**

***ASSETS***

**Current assets**

Cash and cash equivalents	\$88,810
Restricted cash and cash equivalents	44,526
Investments	262,125
Receivables, net	4,375
Prepaid expenses and other assets	13,455
<b>Total current assets</b>	<b><u>413,291</u></b>

**Noncurrent assets**

Capital assets:	
Land	140,679
Building and equipment	4,786,583
Less accumulated depreciation	<u>(2,424,408)</u>
Capital assets, net	<u>2,502,854</u>
Other noncurrent assets	<u>1,078,594</u>
<b>Total noncurrent assets</b>	<b><u>3,581,448</u></b>
<b>Total assets</b>	<b><u><u>\$3,994,739</u></u></b>

***LIABILITIES***

**Current liabilities**

Accounts payable	\$14,787
Accrued liabilities	62,654
Intergovernmental payables	25,611
Tenant security deposits	16,962
Deferred revenue	16,285
Bonds, notes, and loans payable	17,883
<b>Total current liabilities</b>	<b><u>154,182</u></b>

**Noncurrent liabilities**

Bonds, notes, and loans payable	<u>795,324</u>
<b>Total noncurrent liabilities</b>	<b><u>795,324</u></b>
<b>Total liabilities</b>	<b><u><u>\$949,506</u></u></b>

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

**HARRISON METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets (Continued)**  
**Proprietary Funds**  
**March 31, 2005**

***NET ASSETS***

Invested in capital assets, net of related debt	\$1,689,647
Restricted net assets	44,526
Unrestricted net assets	1,311,060
<b>Total net assets</b>	<b><u><u>\$3,045,233</u></u></b>

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

**HARRISON METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended March 31, 2005**

***OPERATING REVENUES***

Tenant Revenue	\$181,007
Government operating grants	1,047,830
Other revenue	66,763
<b>Total operating revenues</b>	<b><u>1,295,600</u></b>

***OPERATING EXPENSES***

Administrative	290,786
Utilities	54,618
Maintenance	133,412
General	29,365
Housing assistance payment	755,372
Depreciation	178,198
<b>Total operating expenses</b>	<b><u>1,441,751</u></b>
<b>Operating income (loss)</b>	<b><u>(146,151)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	36,603
Interest expense	(17,549)
<b>Total nonoperating revenues (expenses)</b>	<b><u>19,054</u></b>
Income (loss) before contributions and transfers	(127,097)
Capital grants	4,000
Change in net assets	(123,097)
Total net assets - beginning	3,194,354
Prior Period Adjustment	(26,024)
<b>Total net assets - ending</b>	<b><u><u>\$3,045,233</u></u></b>

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

**HARRISON METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended March 31, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating grants received	\$1,047,830
Tenant revenue received	179,012
Other revenue received	35,175
General and administrative expenses paid	(471,772)
Housing assistance payments	<u>(755,372)</u>

Net cash provided (used) by operating activities	<u>34,873</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned received	<u>5,546</u>
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Net cash provided (used) by investing activities	<u>5,546</u>
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**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

Capital grant funds received	4,000
Property and equipment purchased	<u>(6,593)</u>

Net cash provided (used) by capital and related activities	<u>(2,593)</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Cash proceeds from debt	
Interest Payment	(17,549)
Principal Payment	<u>(12,353)</u>

Net cash provided (used) by financing activities	<u>(29,902)</u>
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Net increase (decrease) in cash	7,924
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Cash and cash equivalents - Beginning of year	<u>125,412</u>
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Cash and cash equivalents - End of year	<u><u>\$133,336</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

**HARRISON METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended March 31, 2005**

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

Net Operating Income (Loss)	(\$146,151)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	178,198
- Prior Period adjustments Compensated Leave Payable	(17,588)
- (Increases) Decreases in Accounts Receivable	(3,195)
- (Increases) Decreases in Prepaid Assets	9,401
- Increases (Decreases) in Accounts Payable	(5,520)
- Increases (Decreases) in Accounts Payable - Intergovernmental	4,303
- Increases (Decreases) in Accrued Expenses Payable	15,031
- Increases (Decreases) in Deferred Revenue	(1,383)
- Increases (Decreases) in Tenant Security Deposits	1,777
Net cash provided by operating activities	\$34,873

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

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The basic 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.

In June 1999, GASB approved Statement No. 34, basic financial statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the basic financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying basic financial statements (including notes to the basic financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

**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 basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

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.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

**Basis of Presentation**

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes net assets, and a statement of cash flows.

**Fund Accounting**

The Authority uses the proprietary fund to report on its financial position and the results of its. 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:

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

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

**Description of programs**

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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



HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

**D. State / Local**

The State and Local Program represents the Authority's endeavors to expand operations through Enterprise Housing. Enterprise Housing consists of a duplex home owned and rented by the Authority. It also includes a activity for management of a multi-family project, Bingham Terrace.

**E. USDA Rural Development**

Under the USDA Rural Development Program, the Authority rents units that it owns to low-income households. The USDA Rural Development Program is operated under a contract with the United State Department of Agricultural, and the USDA provides Operating Subsidy to enable the PHA to provide housing at a rent that is based upon 30% of adjusted gross household income.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending March 31, 2005 totaled \$36,603.

**Capital Assets**

Capital 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.

**Net Assets**

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

**Operating Revenues and Expenses**

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

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

**Capital Contributions**

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

**Cash and Cash Equivalents**

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

**Compensated Absences**

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

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

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

**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.

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 2: DEPOSITS AND INVESTMENTS**

*Legal and Other Requirements* - The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority's written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements. Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

**Deposits**

Category 1 Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

**Investments**

Category 1 Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

**Deposits** - At year-end, the carrying amount of the Authority's deposits was \$133,336 and the bank balance was \$135,581. The difference represents outstanding checks and deposits in transit. Of the bank balance, \$111,984 was covered by Federal depository insurance. The remainder was covered by collateralization held by the banks for the Authority's deposits as required by HUD.

**Investments** - The Authority's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year end. The risk categories were described previously in this footnote.

<u>Category</u>	<u>Cost</u>	<u>Fair Value</u>
1      Certificate of Deposit	\$262,125	\$262,125

A reconciliation of cash and investments as shown on the balance sheet follows:

Cash and Cash Equivalent	\$72,429
Tenant Security Deposit Cash Balance	16,381
Restricted Cash – Cash held for Replacement Reserve	44,526
Investments - Certificate of Deposits	262,125
<b>Total</b>	<b>\$395,461</b>
Carrying Amount - Cash and Cash Equivalent	\$88,810
Carrying Amount - Restricted Cash and Cash Equivalent	44,526
Carrying Amount - Investments	262,125
<b>Total</b>	<b>\$395,461</b>

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(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, 2005 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: CAPITAL ASSETS**

The following is a summary:

Land	\$140,679
Buildings	4,609,225
Furniture, Machinery and Equipment	177,358
 Total Fixed Assets	 4,927,262
Accumulated Depreciation	(2,424,408)
 Net Fixed Assets	 \$2,502,854

The following is a summary of changes:

	<b>Balance 03/31/04</b>	<b>Adjustment / Additions</b>	<b>Deletion</b>	<b>Balance 03/31/05</b>
Land	\$140,679	\$ 0	\$ 0	\$140,679
Buildings	4,602,632	6,593	0	4,609,225
Furniture, Machinery & Equipmen	173,358	4,000	0	177,358
 Total Fixed Assets	 \$4,916,669	 \$10,593	 \$ 0	 \$4,927,262

Depreciation expense for the year ended March 31, 2005 is \$178,198.

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans, as described below:

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

OPERS provide retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the traditional pension and the combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended March 31, 2005, 2004 and 2003 were \$29,617, \$31,945, and \$31,237, respectively. The full amount has been contributed for all three years.

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

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

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. 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 OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2005.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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.

At December 31, 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The Authority's annual contributions for 2005 used to fund post employment benefits were \$120,929. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 8: LONG TERM DEBT**

Harrison Metropolitan Housing Authority has the following Mortgages outstanding as of March 31, 2005:

**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, 2005 is \$230,612.
- 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, 2005 of \$15,227.

**Gable Estate**

United State Department of Agriculture, Rural Housing Service loan for a 16 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, 2005 is \$524,475.

**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, 2005 is \$42,893.

The following is a summary of change in long-term debt for the year ended March 31, 2005:

Description	Balance 3/31/04	Prior Period Adjustment	Issued	Retired	Balance 3/31/05
1 <sup>st</sup> Mortgage Dunfee Court	\$237,917	\$ 0	\$ 0	\$7,305	\$230,612
2 <sup>nd</sup> Mortgage Dunfee Court	15,682	0	0	455	15,227
Gable Estate	526,647	0	0	2,172	524,475
Muskingum Duplex	45,314	0	0	2,421	42,893
TOTAL	\$825,560	\$ 0	\$ 0	\$12,353	\$813,207



HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 8: LONG TERM DEBT** (Continued)

Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
March 31, 2006	\$17,883	10,367
2007	18,152	10,097
2008	18,429	9,821
2009	18,716	9,534
2010	19,008	9,242
Later Years	721,019	144,621
Total	\$813,207	\$193,682

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

The following prior period adjustment was necessary to properly state the financial statements:

**Low Rent Public Housing:**

Equity transfer from Capital Fund Program for grant that was closed.	\$28,725
Net adjustment to Capital Assets to properly state assets and accumulated depreciation.	(8,335)

**Housing Choice Voucher:**

Adjustment by HUD to administration fee earned for fiscal year ending March 31, 2004	(2,019)
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**Capital Fund Program:**

Equity transfer to Low Rent Program for grant that was closed.	(28,725)
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**State and Local:**

Adjustment to properly state compensated leave liability amount.	(15,670)
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Total Prior Period Adjustments	(\$26,024)
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HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 10: 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 11: NOTE AND INTEREST RECEIVABLE**

The Note and Interest receivable amount of \$1,078,594 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 12: CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year ended March 31, 2005 the Harrison Metropolitan Housing Authority implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic financial statements for State and Local Governments: Omnibus; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

GASB Statement No. 34 creates new basic financial statements for reporting on the HMHA's financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The entity-wide financial statements reflect only enterprise fund activities. The implementation of GASB 34 had no effect on the total enterprise fund equity. However, it did effect the classification of the equity.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

The table below shows the reclassification adjustment necessary.

HARRISON METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005  
(CONTINUED)

**NOTE 12: CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Restricted Net Assets	Total
Beginning Balance	\$4,848,232	(\$1,653,878)	\$0	\$0	\$0	\$3,194,354
Reclassification- GASB 34	(4,848,232)	1,653,878	1,853,232	1,317,423	23,699	0
Restated Beginning Balance	0	0	1,853,232	1,317,423	23,699	3,194,354
Fixed Assets Addition	0	0	6,593	(2,593)	0	4,000
Depreciation Expense	0	0	(178,198)	0	0	(178,198)
Change in Net Assets	0	0	0	51,101	0	51,101
Transfer to Restricted Net Assets	0	0	0	(20,827)	20,827	0
Current Year Debt Payment	0	0	12,353	(12,353)	0	0
Prior Period Adjustment	0	0	(4,333)	(21,691)	0	(26,024)
Ending Net Assets	\$0	\$0	\$1,689,647	\$1,311,060	\$44,526	\$3,045,233

Harrison Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
March 31, 2005

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	\$14,073	\$51,465	\$2,542	\$0	\$4,349	\$72,429
113	Cash - Other Restricted	\$44,526	\$0	\$0	\$0	\$0	\$44,526
114	Cash - Tenant Security Deposits	\$9,238	\$7,143	\$0	\$0	\$0	\$16,381
100	Total Cash	\$67,837	\$58,608	\$2,542	\$0	\$4,349	\$133,336
125	Accounts Receivable - Miscellaneous	\$0	\$30	\$1,170	\$0	\$0	\$1,200
126	Accounts Receivable - Tenants - Dwelling Rents	\$1,265	\$1,910	\$0	\$0	\$0	\$3,175
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$1,265	\$1,940	\$1,170	\$0	\$0	\$4,375
131	Investments - Unrestricted	\$16,000	\$189,925	\$28,841	\$0	\$27,359	\$262,125
142	Prepaid Expenses and Other Assets	\$2,315	\$10,733	\$0	\$0	\$407	\$13,455
144	Interprogram Due From	\$14	\$11,035	\$0	\$0	\$7,841	\$18,890
150	Total Current Assets	\$87,431	\$272,241	\$32,553	\$0	\$39,956	\$432,181
161	Land	\$61,977	\$75,202	\$0	\$0	\$3,500	\$140,679
162	Buildings	\$1,047,393	\$3,505,332	\$0	\$0	\$56,500	\$4,609,225
163	Furniture, Equipment & Machinery - Dwellings	\$2,646	\$47,523	\$0	\$0	\$0	\$50,169
164	Furniture, Equipment & Machinery - Administration	\$2,421	\$107,039	\$0	\$4,000	\$13,729	\$127,189
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	(\$391,221)	(\$2,013,479)	\$0	(\$800)	(\$18,908)	(\$2,424,408)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$723,216	\$1,721,617	\$0	\$3,200	\$54,821	\$2,502,854
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$1,078,594	\$1,078,594

Harrison Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
March 31, 2005

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
180	Total Non-Current Assets	\$723,216	\$1,721,617	\$0	\$3,200	\$1,133,415	\$3,581,448
190	Total Assets	\$810,647	\$1,993,858	\$32,553	\$3,200	\$1,173,371	\$4,013,629
312	Accounts Payable <= 90 Days	\$2,797	\$2,156	\$0	\$0	\$9,834	\$14,787
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$15,598	\$15,598
322	Accrued Compensated Absences - Current Portion	\$2,298	\$10,404	\$14,189	\$0	\$15,670	\$42,561
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$17,910	\$0	\$0	\$17,910
333	Accounts Payable - Other Government	\$0	\$7,701	\$0	\$0	\$0	\$7,701
341	Tenant Security Deposits	\$6,904	\$9,333	\$0	\$0	\$725	\$16,962
342	Deferred Revenues	\$0	\$16,285	\$0	\$0	\$0	\$16,285
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$16,261	\$0	\$0	\$0	\$1,622	\$17,883
346	Accrued Liabilities - Other	\$0	\$4,495	\$0	\$0	\$0	\$4,495
347	Interprogram Due To	\$8,852	\$1,276	\$8,747	\$0	\$15	\$18,890
310	Total Current Liabilities	\$37,112	\$51,650	\$40,846	\$0	\$43,464	\$173,072
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$754,053	\$0	\$0	\$0	\$41,271	\$795,324
350	Total Noncurrent Liabilities	\$754,053	\$0	\$0	\$0	\$41,271	\$795,324
300	Total Liabilities	\$791,165	\$51,650	\$40,846	\$0	\$84,735	\$968,396
508.1	Invested in Capital Assets, Net of Related Debt	(\$47,098)	\$1,721,617	\$0	\$3,200	\$11,928	\$1,689,647
511.1	Restricted Net Assets	\$44,526	\$0	\$0	\$0	\$0	\$44,526
512.1	Unrestricted Net Assets	\$22,054	\$220,591	(\$8,293)	\$0	\$1,076,708	\$1,311,060

Harrison Metropolitan Housing Authority  
 Combining Balance Sheet  
 FDS Schedule Submitted To REAC  
 Proprietary Fund Type – Enterprise Fund  
 March 31, 2005

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
513	Total Equity/Net Assets	\$19,482	\$1,942,208	(\$8,293)	\$3,200	\$1,088,636	\$3,045,233
600	Total Liabilities and Equity/Net Assets	\$810,647	\$1,993,858	\$32,553	\$3,200	\$1,173,371	\$4,013,629

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, 2005

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	\$54,043	\$113,667	\$0	\$0	\$8,375	\$176,085
704	Tenant Revenue - Other	\$1,510	\$3,412	\$0	\$0	\$0	\$4,922
705	Total Tenant Revenue	\$55,553	\$117,079	\$0	\$0	\$8,375	\$181,007
706	HUD PHA Operating Grants	\$0	\$73,153	\$881,631	\$56,427	\$0	\$1,011,211
706.1	Capital Grants	\$0	\$0	\$0	\$4,000	\$0	\$4,000
708	Other government grants	\$36,619	\$0	\$0	\$0	\$0	\$36,619
711	Investment Income - Unrestricted	\$0	\$5,358	\$188	\$0	\$30,556	\$36,102
712	Mortgage Interest Income	\$501	\$0	\$0	\$0	\$0	\$501
714	Fraud Recovery	\$0	\$0	\$555	\$0	\$0	\$555
715	Other Revenue	\$0	\$3,593	\$0	\$0	\$62,615	\$66,208
700	Total Revenue	\$92,673	\$199,183	\$882,374	\$60,427	\$101,546	\$1,336,203
911	Administrative Salaries	\$13,101	\$32,218	\$68,762	\$14,761	\$24,334	\$153,176
912	Auditing Fees	\$1,082	\$1,202	\$3,726	\$0	\$0	\$6,010
914	Compensated Absences	\$0	(\$4,406)	\$16,888	\$0	\$0	\$12,482
915	Employee Benefit Contributions - Administrative	\$0	\$29,421	\$32,908	\$0	\$0	\$62,329
916	Other Operating - Administrative	\$2,629	\$16,002	\$5,223	\$32,253	\$682	\$56,789
931	Water	\$10,501	\$9,486	\$0	\$0	\$0	\$19,987
932	Electricity	\$2,415	\$30,102	\$0	\$0	\$0	\$32,517
934	Fuel	\$686	\$0	\$0	\$0	\$0	\$686
938	Other Utilities Expense	\$1,428	\$0	\$0	\$0	\$0	\$1,428
941	Ordinary Maintenance and Operations - Labor	\$4,010	\$19,434	\$0	\$9,413	\$40,562	\$73,419
942	Ordinary Maintenance and Operations - Materials and Other	\$13,599	\$13,491	\$0	\$0	\$0	\$27,090
943	Ordinary Maintenance and Operations - Contract Costs	\$3,278	\$11,620	\$0	\$0	\$0	\$14,898
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$18,005	\$0	\$0	\$0	\$18,005

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, 2005

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
961	Insurance Premiums	\$5,864	\$15,798	\$0	\$0	\$0	\$21,662
962	Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$0
963	Payments in Lieu of Taxes	\$2	\$7,701	\$0	\$0	\$0	\$7,703
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$0	\$0	\$0
967	Interest Expense	\$14,940	\$0	\$0	\$0	\$2,609	\$17,549
969	Total Operating Expenses	\$73,535	\$200,074	\$127,507	\$56,427	\$68,187	\$525,730
970	Excess Operating Revenue over Operating Expenses	\$19,138	(\$891)	\$754,867	\$4,000	\$33,359	\$810,473
973	Housing Assistance Payments	\$0	\$0	\$755,372	\$0	\$0	\$755,372
974	Depreciation Expense	\$27,592	\$148,393	\$0	\$800	\$1,413	\$178,198
900	Total Expenses	\$101,127	\$348,467	\$882,879	\$57,227	\$69,600	\$1,459,300
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$8,454)	(\$149,284)	(\$505)	\$3,200	\$31,946	(\$123,097)
1103	Beginning Equity	\$27,936	\$2,071,102	(\$5,769)	\$28,725	\$1,072,360	\$3,194,354
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$20,390	(\$2,019)	(\$28,725)	(\$15,670)	(\$26,024)
	Ending Equity	\$19,482	\$1,942,208	(\$8,293)	\$3,200	\$1,088,636	\$3,045,233
1102	Debt Principal Payments - Enterprise Funds	\$9,932	\$0	\$0	\$0	\$2,421	\$12,353
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$806,531	\$0	\$0	\$806,531
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$95,179	\$0	\$0	\$95,179
1116	Total Annual Contributions Available	\$0	\$0	\$901,710	\$0	\$0	\$901,710



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, 2005

Line Item No.	Account Description	Rural Rental Housing Loans	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1120	Unit Months Available	336	600	3,180	0	24	4,140
1121	Number of Unit Months Leased	334	597	3,064	0	23	4,018

Harrison Metropolitan Housing Authority  
Schedule of Expenditures of Federal Award  
For the year ended March 31, 2005

<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	\$73,153
Housing Choice Voucher Program	14.871	881,631
Public Housing Capital Fund Program	14.872	<u>60,427</u>
Total U.S. Department of Housing and Urban Development		<u>1,015,211</u>
U.S. Department of Agriculture - Rural Housing Service Direct Program		
Rural Rental Housing Loan	10.415	<u>36,619</u>
Total U.S. Department of Agriculture		<u>36,619</u>
Total Expenditure of Federal Award		<u><u>\$1,051,830</u></u>



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

Board of Directors  
Harrison Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the financial statements of the business-type activities of Harrison Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2005, which collectively comprise the Harrison Metropolitan Housing Authority, Ohio, basic financial statements and have issued my report thereon dated November 4, 2005. Harrison Metropolitan Housing Authority implemented a new financial reporting mode, as required by the provision of Government Accounting Standard Board Statement No. 34, Basic financial statements - and Management's Discussion and Analysis – for State and Local Governments, as amended and interpreted, as of April 1, 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.

**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 financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation the financial statements being auditing 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.

**Compliance**

As part of obtaining reasonable assurance about whether Harrison Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

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.

A handwritten signature in cursive script that reads "Salvatore Consiglio". The signature is written in black ink and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

November 4, 2005



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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, 2005. 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, 2005.

## **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.



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Salvatore Consiglio, CPA, Inc.

November 4, 2005

Harrison Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 March 31, 2005

<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	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

<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, 2005.

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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There are no Findings or questioned costs for the year ended March 31, 2005.

Harrison Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
March 31, 2005

The audit report for the fiscal year ending March 31, 2004 contained no audit finding.





**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 17, 2006**