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ERIE METROPOLITAN HOUSING AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 1999

ERIE METROPOLITAN HOUSING AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 1999

ERIE METROPOLITAN HOUSING AUTHORITY

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ERIE METROPOLITAN HOUSING AUTHORITY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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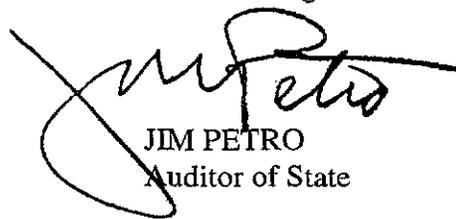
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Board of Commissioners
Erie Metropolitan Housing Authority
Sandusky, Ohio

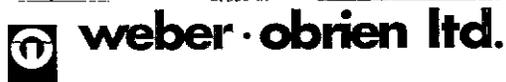
We have reviewed the Independent Auditor's Report of the Erie Metropolitan Housing Authority, Erie County, prepared by Weber O'Brien Ltd., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised 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 Erie Metropolitan Housing Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

February 9, 2000



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Erie Metropolitan Housing Authority
322 Warren Street
Sandusky, OH 44870-2265

We have audited the accompanying financial statements of the Erie Metropolitan Housing Authority ("Housing Authority") as of and for the year ended June 30, 1999, as listed in the Table of Contents. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Housing Authority's policy is to prepare its financial statements in accordance with the accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Erie Metropolitan Housing Authority as of June 30, 1999, and the results of its operations for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 1999 on our consideration of Erie Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Board of Commissioners
Erie Metropolitan Housing Authority
Page Two

Our audit was made for the purpose of forming an opinion on the financial statements of the Erie Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 25, which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the additional information on pages 26 - 34, which is presented for purposes of additional analysis, are not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

The information on page 41 regarding the Year 2000 Issue is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. However, we did not audit the information and express no opinion on it.

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

Webb O'Brien, LTD.

October 11, 1999

ERIE METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
JUNE 30, 1999

Annual Contributions Contract

<u>ASSETS</u>	<u>C-5008 Owned Housing</u>	<u>C-10008 Section 8</u>	<u>Private Management Account</u>	<u>Total Primary Government</u>	<u>Erie Co. Senior Center</u>	<u>Gift Store</u>	<u>Total (Memorandum Only)</u>
Cash	\$ 6,408	\$458,098	\$13,978	\$ 478,484	\$118,105	\$12,775	\$ 609,364
Accounts Receivable	50,608	18,847	-0-	69,455	56,745	-0-	126,200
Investments	823,553	171,371	-0-	994,924	76,426	-0-	1,071,350
Debt Amortization Funds	145,115	-0-	-0-	145,115	-0-	-0-	145,115
Deferred Charges Land, Structures & Equipment	44,913	4,428	-0-	49,341	5,806	7,353	62,500
	<u>13,639,592</u>	<u>75,672</u>	<u>-0-</u>	<u>13,715,264</u>	<u>108,751</u>	<u>-0-</u>	<u>13,824,015</u>
Total Assets	<u>\$14,710,189</u>	<u>\$728,416</u>	<u>\$13,978</u>	<u>\$15,452,583</u>	<u>\$365,833</u>	<u>\$20,128</u>	<u>\$15,838,544</u>
<u>LIABILITIES & SURPLUS</u>							
Accounts Payable	\$ 77,830	\$132,186	\$ -0-	\$ 210,016	\$ 26,280	\$ 115	\$ 236,411
Notes Payable	3,491,554	-0-	-0-	3,491,554	-0-	-0-	3,491,554
Trust and Deposit Liabilities	71,559	171,371	-0-	242,930	-0-	-0-	242,930
Fixed Liabilities	<u>1,118,530</u>	<u>-0-</u>	<u>-0-</u>	<u>1,118,530</u>	<u>-0-</u>	<u>-0-</u>	<u>1,118,530</u>
Total Liabilities	4,759,473	303,557	-0-	5,063,030	26,280	115	5,089,425
Surplus	<u>9,950,716</u>	<u>424,859</u>	<u>13,978</u>	<u>10,389,553</u>	<u>339,553</u>	<u>20,013</u>	<u>10,749,119</u>
Total Liabilities & Surplus	<u>\$14,710,189</u>	<u>\$728,416</u>	<u>\$13,978</u>	<u>\$15,452,583</u>	<u>\$365,833</u>	<u>\$20,128</u>	<u>\$15,838,544</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF INCOME AND EXPENSES - PHA OWNED HOUSING
YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-5008

Project Number(s) OH-28-4,7,8,9,12,13

Operating Income

Dwelling Rental	\$ 270,106
Excess Utilities	1,252
Non-Dwelling Rental	<u>1,201</u>

Total Rental Income	272,559
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Interest on General Fund Investments	45,592
Other Income	<u>8,737</u>

Operating Income - (P. 26)	326,888
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Operating Expenses

Administration	223,791
Tenant Services	19,873
Utilities	194,171
Ordinary Maintenance and Operations	369,290
General Expenses	128,588
Nonroutine Maintenance	<u>191,389</u>

Total Operating Expenses (P. 26)	<u>1,127,102</u>
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Net Operating Income (Loss)	(800,214)
-----------------------------	------------

Other Credits and Charges

Prior Year Adjustment Not Affecting Residual Receipts	12,585
Interest on Notes and Bonds Payable	61,593
Prior Years Adjustments Affecting Residual Receipts (P. 26)	(75)
Loss from Disposition of Non-Expendable Equipment	246,052
Loss from Disposition of Real Property	<u>46,426</u>

Total Other Credits and Charges	<u>366,581</u>
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Net Loss (P. 12)	<u>(\$1,166,795)</u>
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"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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ERIE METROPOLITAN HOUSING AUTHORITY
 STATEMENT OF INCOME AND EXPENSES - HOUSING ASSISTANCE
 PAYMENTS PROGRAM - EXISTING HOUSING CERTIFICATES
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project Number OH-12-E028-008/029

Operating Income

Interest on Operating Reserve Investments	\$ 12,812
Interest on General Fund Investments	3,816
Other Income	<u>4,709</u>
 Total Operating Income (P. 28)	 21,337

Operating Expenses

Administrative Expense	302,718
Audit Fee	5,929
Housing Assistance Payments	<u>2,735,022</u>
 Total Operating Expenses (P. 28)	 <u>3,043,669</u>
 Net Operating Income (Loss)	 (3,022,332)

Other Charges and Credits

Loss on Disposition of Equipment	(15,765)
Prior Year Adjustment Affecting Residual Receipts (P. 28)	49
Prior Year Adjustment Not Affecting Residual Receipts	<u>(1,957)</u>
 Total Net Operating Loss (P. 12)	 <u>(\$3,040,005)</u>

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"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF INCOME AND EXPENSES -
HOUSING ASSISTANCE PAYMENTS PROGRAM - VOUCHER
YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project Number OH12-V028-009/018

Operating Income

Interest on Operating Reserve Investments	\$ 3,528
Interest on General Fund Investments	1,607
Other Income	<u>1,967</u>
 Total Operating Income (P. 30)	 7,102

Operating Expenses

Administrative Expense	101,201
Audit Fee	1,977
Housing Assistance Payments	<u>956,044</u>
 Total Operating Expenses (P. 30)	 <u>1,059,222</u>
 Net Operating Loss	 (1,052,120)

Other Credits and Charges

Loss on Disposition of Equipment	(3,190)
Prior Year Adjustment Affecting Residual Receipts (P. 30)	19
Prior Year Adjustment Not Affecting Residual Receipts	<u>(212)</u>
 Total Net Operating Loss (P. 12)	 <u>(\$1,055,503)</u>

"SEE INDEPENDENT AUDITORS' REPORT"

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ERIE METROPOLITAN HOUSING AUTHORITY
 STATEMENT OF INCOME AND EXPENSES -
 HOUSING ASSISTANCE PAYMENTS PROGRAM - MODERATE REHABILITATION
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project Number OH12-K028-001

Operating Income

Interest on Operating Reserve Investment	\$ 697
Interest on General Fund Investments	1,271
Other Income	<u>2</u>
 Total Operating Income (P. 32)	 1,970

Operating Expenses

Administrative Expense	1,769
Audit Fee	-24
Housing Assistance Payments	<u>4,650</u>
 Total Operating Expenses (P. 32)	 <u>6,443</u>
 Net Operating Loss	 (4,473)

Other Credits and Charges

Prior Year Adjustments Affecting Residual Receipts (P. 32)	<u>3</u>
 Total Net Operating Loss (P. 12)	 <u>(\$4,470)</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF INCOME AND EXPENSES -
PRIVATE MANAGEMENT
YEAR ENDED JUNE 30, 1999

Operating Income

Interest on General Fund Investments	\$ 1,096
Management Fee	54,687
Other Income	<u>35</u>
Total Operating Income	55,818

Operating Expenses

Administrative Expense	53,481
Utilities Expense	2,111
Maintenance and Operation	<u>14,254</u>
Total Operating Expenses	<u>69,846</u>
Total Net Operating Income (Loss)	(14,028)
Surplus Balance - Beginning of Year	<u>28,006</u>
Surplus Balance - End of Year (P. 3)	<u>\$13,978</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF INCOME AND EXPENSES -
ERIE COUNTY SENIOR CENTER
YEAR ENDED JUNE 30, 1999

<u>INCOME</u>	<u>TITLE III-B</u>	<u>TITLE III-C</u>	<u>LOCAL</u>	<u>PASSPORT</u>	<u>TOTAL</u>
Local Match Funds	\$24,035	\$ -0-	\$ -0-	\$ -0-	\$ 24,035
Interest	432	2,428	3,133	-	5,993
Grants	50,863	258,417	3,997	-	313,277
USDA Reimbursement - SOS	-	-	8,112	-	8,112
In-Kind - Volunteers	32,619	44,620	-	-	77,239
In-Kind - Rent & Utilities	87,865	59,025	-	-	146,890
Memorials/Donations	-	-	10,715	-	10,715
Rental Income	-	-	1,771	-	1,771
Project Income	19,397	87,233	133,785	65,786	306,201
United Way Grant	-	-	27,160	-	27,160
Miscellaneous	-	-	<u>10,000</u>	<u>-0-</u>	<u>10,000</u>
Total Income	215,211	451,723	198,673	65,786	931,393

EXPENSES

Salaries	55,000	101,513	101,814	-	258,327
In-Kind Volunteers	32,619	44,620	-	-	77,239
Equipment/Repairs	2,394	3,862	4,543	-	10,799
Raw Food Purchases	-	113,860	25,734	-	139,594
Consumables	-	12,025	2,970	-	14,995
Office Supplies	574	118	3,644	-	4,336
Craft Supplies	-	-	273	-	273
Janitorial Supplies	543	3,336	1,547	-	5,426
Trash Hauling/Pest Control	-	3,184	-	-	3,184
Van Operation	12,451	-	20,863	-	33,314
Telephone	1,784	3,387	2,361	-	7,532

"SEE INDEPENDENT AUDITORS' REPORT"

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ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF INCOME AND EXPENSES -
ERIE COUNTY SENIOR CENTER, CONTINUED
YEAR ENDED JUNE 30, 1999

Loss on Disposition -	\$ -0-	\$ 2,409	\$ 7,906	\$ -0-	\$ 10,315
Equipment	350	-0-	911	-0-	1,261
Postage	36	-0-	65	-0-	101
Membership & Dues	279	120	2,130	-0-	2,529
Travel	-0-	-0-	64	-0-	64
Printing/Publications	11,373	21,035	20,617	-0-	53,025
Benefits	-0-	5,040	-0-	-0-	5,040
Utilities	87,865	59,025	-0-	-0-	146,890
In-Kind Rent & Utilities	1,715	12,325	9,490	-0-	23,530
Contractual Costs	-0-	-0-	1,043	-0-	1,043
Licenses & Insurance	-0-	-0-	24,035	-0-	24,035
Cash Match	-0-	3,653	2,988	-0-	6,641
Volunteer Mileage & Gifts	-0-	-0-	6,189	-0-	6,189
SST Costs	-0-	-0-	-0-	47,528	47,528
Project Expense	-0-	-0-	38,575	-0-	38,575
Indirect SOS Cost	-0-	8,349	4,811	-0-	13,160
Small Equipment Purchases	-0-	35	75	-0-	110
Training	-0-	-0-	3,612	-0-	3,612
Miscellaneous	-0-	-0-	-0-	-0-	-0-
Total Expenses	<u>206,983</u>	<u>397,896</u>	<u>286,260</u>	<u>47,528</u>	<u>938,667</u>
Net Income (Loss)	8,228	53,827	(87,587)	18,258	(7,274)
Surplus - Beginning of Year	<u>36,996</u>	<u>107,877</u>	<u>159,822</u>	<u>42,132</u>	<u>346,827</u>
Surplus - End of Year	<u>\$ 45,224</u>	<u>\$161,704</u>	<u>\$ 72,235</u>	<u>\$60,390</u>	<u>\$339,553</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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ERIE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF INCOME AND EXPENSES
GIFT STORE
YEAR ENDED JUNE 30, 1999

Income

Sales	\$10,480
Interest income	559
In-Kind Income	<u>5,997</u>
Total Income	17,036

Expenses

Cost of Goods Sold	6,943
Travel	540
Office	552
Freight	261
In-Kind Wages	5,997
Loss on Disposal of Equipment	<u>75</u>
Total Expenses	<u>14,368</u>
Net Income (Loss)	2,668
Surplus Balance - Beginning of Year	<u>17,345</u>
Surplus Balance - End of Year (P. 3)	<u>\$20,013</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

ERIE METROPOLITAN HOUSING AUTHORITY
ANALYSIS OF SURPLUS
YEAR ENDED JUNE 30, 1999

	<u>Annual Contributions Contract</u>	
	<u>C-5008</u>	<u>C-10008</u>
<u>Unreserved Surplus</u>		
Balance at Beginning of Year	(\$12,576,501)	(\$47,600,574)
HUD Adjustments	-0-	(4,195)
Net Income (Loss) for Year Ended 6/30/98		
PHA Owned Housing - (P. 4)	(1,166,795)	-0-
Housing Assistance Payment Program -		
Existing (P. 5)	-0-	(3,040,005)
Voucher (P. 6)	-0-	(1,055,503)
Moderate Rehabilitation (P. 7)	-0-	(4,470)
(Provision for) Reduction of Project Account for the Year		
Ended 6/30/98 Housing Assistance Payment Program -		
Existing (P. 27)	-0-	(168,076)
Voucher (P. 29)	-0-	(97,038)
Moderate Rehabilitation (P. 31)	-0-	4,122
(Provision for) Reduction of Operating Reserves for the Year		
Ended 6/30/98		
PHA Owned Housing - (P. 26)	90,358	-0-
Housing Assistance Payments Program - Existing (P. 28)	-0-	(24,658)
Voucher (P. 30)	-0-	(7,979)
Moderate Rehabilitation (P. 32)	<u>-0-</u>	<u>348</u>
Balance at June 30, 1999	(<u>13,652,938</u>)	(<u>51,998,028</u>)

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

ERIE METROPOLITAN HOUSING AUTHORITY
ANALYSIS OF SURPLUS
YEAR ENDED JUNE 30, 1999
(CONTINUED)

	<u>Annual Contributions Contract</u>	
	<u>C-5008</u>	<u>C-10008</u>
<u>Reserved Surplus - Operating Reserve</u>		
<u>PHA Owned Housing</u>		
Balance at June 30, 1998	\$866,453	-0-
Provision (Reduction of) Operating Reserve for Year Ended June 30, 1999 (Page 26)	(<u>90,358</u>)	<u>-0-</u>
Balance at June 30, 1999	776,095	-0-
<u>Housing Assistance Payments Program</u>		
Balance at June 30, 1998	-0-	316,900
Provision for (Reduction of) Operating Reserve for Year ended June 30, 1999		
Existing (P. 28)	-0-	24,658
Voucher (P. 30)	-0-	7,979
Moderate Rehabilitation (P. 32)	<u>-0-</u>	(<u>348</u>)
Balance at June 30, 1999	-0-	349,189
<u>Housing Assistance Payments Program - Project Account - Unfunded</u>		
Balance at June 30, 1998	-0-	2,512,224
HUD Adjustment		6,425
Provision for Project Account for Year Ended June 30, 1999:		
Existing (P. 27)	-0-	168,076
Voucher (P. 29)	-0-	97,038
Moderate Rehabilitation (P. 31)	<u>-0-</u>	(<u>4,122</u>)
Balance at June 30, 1999	<u>-0-</u>	<u>2,779,641</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

ERIE METROPOLITAN HOUSING AUTHORITY
ANALYSIS OF SURPLUS
YEAR ENDED JUNE 30, 1999
(CONTINUED)

	<u>Annual Contributions Contract</u>	
	<u>C-5008</u>	<u>C-10008</u>
<u>Cumulative HUD Contributions</u>		
Balance at June 30, 1998	\$16,048,689	\$45,182,913
HUD Adjustments	-0-	-0-
Reversal of HUD Annual Contribution Receivable	145,101	-0-
Annual Contributions for Year Ended June 30, 1999		
Housing Assistance Payment Program -		
Existing (P. 27)	-0-	3,046,941
Voucher (P. 29)	-0-	1,060,080
Moderate Rehabilitation (P. 31)	-0-	4,122
Operating Subsidies for Year Ended June 30, 1999		
PHA Housing (P. 26)	<u>658,708</u>	<u>-0-</u>
Balance at June 30, 1999	16,852,498	49,294,056
<u>Cumulative Donations</u>		
Balance at June 30, 1999 and 1998	<u>6,291</u>	<u>-0-</u>
<u>Cumulative HUD Grants</u>		
Balance at June 30, 1998	5,306,899	-0-
CIAP Subsidy Received	-0-	-0-
Comprehensive Grant Subsidy Received	<u>661,871</u>	<u>-0-</u>
Balance at June 30, 1999	<u>5,968,770</u>	<u>-0-</u>
Total Surplus (P. 3)	<u>\$ 9,950,716</u>	<u>\$ 424,859</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Erie Metropolitan Housing Authority (EMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Erie Metropolitan Housing Authority and the U.S. Department of Housing and Urban Development (HUD), under the provisions of the ACC and all applicable provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The financial statements reflect the operations of the Authority.

The Authority consists of the following:

C-5008	Low Rent and Home Ownership	Public Housing	275 units
C-10008E	Section 8 Existing		698 units
C-10008K	Section 8 Mod Rehab		3 units
C-10008V	Section 8 Vouchers		297 units

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

The Erie County Senior Center and its Gift Store are a component unit of the Erie Metropolitan Housing Authority, and is organized for the purpose of providing a comprehensive and coordinated system of services for the elderly in the Erie County area of Northwestern Ohio. The Senior Center and Gift Store were combined as a component units in these financial statements because the Board of the Authority can impose its will on the management of the Senior Center. The Senior Center does not issue a separate financial statement.

The accounts of the Erie County Senior Center are organized on the basis of funds, each of which is considered a separate accounting entity. The Support Services Fund (Title III-B), the Nutrition Services Fund - Congregate Meal Services Fund (Title III-C-1) and the Nutrition Services Fund - Home-Delivered Meal Services (Title III-C-2) maintain separate accounts in which activity relating to each distinct fund is appropriately

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Reporting Entity, Continued

recorded. Accordingly, administration and coordination activities of the Title III programs are recorded in the particular projects, funding of the elderly support services for service provider agencies is recorded in the Support Services Fund, and funding of elderly nutrition services for service provider agencies is recorded in the appropriate Nutrition Services Fund. The Senior Center's basis of accounting is the same as that used by the Erie Metropolitan Housing Authority.

The federal grant awards to Erie County Senior Center require that the agencies involved complement the federal grant awards with local revenue match. Because the amount of local match that is required is fixed based on the federal grant or subcontract grant awards, it is Erie County Senior Center's policy to recognize no more than the required match in the accounts of the Title III-B, III-C-1, and III-C-2 programs.

Basis of Presentation

The Authority's policy is to prepare its financial statements in accordance with the accounting practices prescribed or permitted by the Department of Housing and Urban Development (HUD), which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The significant accounting practices prescribed or permitted by HUD which do not conform with GAAP are as follows:

- a) GAAP requires a statement of cash flows be presented as a basic financial statement; it is not included in HUD financial statements.
- b) Assets are stated at historical cost adjusted for gain or loss during the initial operating period; no depreciation is allowed or allowable by HUD, which is not in accordance with GAAP.
- c) As prescribed by HUD guidelines, contributed capital, operating subsidies, and modernization grants are credited directly to the equity accounts and not included in the statement of income and expenses as required by GAAP.
- d) HUD determines and arranges for the temporary and permanent financing for the Housing Authority and provides the funding for repayment of the indebtedness through the Annual Contributions Contract which is credited directly to the equity accounts, which is not in conformity with GAAP.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Reporting Entity, Continued

- e) Rental Income is fixed by a percentage of allowable income of the tenants as determined by the Housing Authority and HUD; it does not necessarily represent fair market rental value.
- f) GASB codification section 2400, requires a comparison of results from operations to approved budget be presented; it is not included in these HUD financial statements.

Investments

Investments are stated at cost (see Note 14).

Inventories and Materials

Inventories and materials are stated at cost which approximates market (See Note 3).

Land, Structures and Equipment

Land, structures and equipment are comprised of the following:

- 1) The total development costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions.

Land, structures and equipment are recorded at cost. Depreciation is not recognized or recorded in accordance with the Department of Housing and Urban Development accounting procedures.

Accrued Liabilities

Accumulated vacation pay is not accrued at June 30, 1999 (See Note 17).

Use of Estimates

The preparation of financial statements usually requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED JUNE 30, 1999

NOTE 2 - ACCOUNTS RECEIVABLE AND ADVANCES

Accounts receivable consists of the following:

	<u>C-5008 Owned</u>	<u>C-10008 Section 8</u>	<u>Senior Center</u>
Tenant accounts receivable	\$ -0-	\$ -0-	\$ -0-
Other	<u>50,608</u>	<u>18,847</u>	<u>56,745</u>
Total	<u>\$50,608</u>	<u>\$18,847</u>	<u>\$56,745</u>

NOTE 3 - DEFERRED CHARGES

Deferred charges consist of the following:

	<u>C-5008 Owned</u>	<u>C-10008 Section 8</u>	<u>Senior Center</u>	<u>Gift Store</u>
Prepaid Expenses	\$12,933	\$-0-	\$-0-	\$-0-
Inventory - Materials	29,687	-0-	-0-	7,353
Inventory - Other	1,105	4,428	5,806	-0-
Insurance Deposits	1,000	-0-	-0-	-0-
Other	<u>188</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$44,913</u>	<u>\$4,428</u>	<u>\$5,806</u>	<u>\$7,353</u>

NOTE 4 - LAND, STRUCTURES AND EQUIPMENT

	<u>C-5008 Owned</u>	<u>C-10008 Section 8</u>	<u>Senior Center</u>	<u>Gift Store</u>
Balance as of June 30, 1999	\$13,639,592	\$75,672	\$108,751	\$-0-
Balance as of June 30, 1998	<u>13,333,854</u>	<u>96,796</u>	<u>127,494</u>	<u>75</u>
Net Increase (Decrease)	<u>\$ 305,738</u>	<u>(\$21,124)</u>	<u>(\$ 18,743)</u>	<u>(\$ 75)</u>

Reconciliation of Net Increase (Decrease)

	<u>C-5008 Owned</u>	<u>C-10008 Section 8</u>	<u>Senior Center</u>	<u>Gift Store</u>
Replacement of Non-expendable Equipment	\$ 40,763	\$ -0-	\$ -0-	\$-0-
Property Betterments and Additions (A/C 7540) (A/C 2890)	-0-	-0-	2,580	-0-
Increase in Modernization Costs	664,525	-0-	-0-	-0-
Dispositions	<u>(399,550)</u>	<u>(21,124)</u>	<u>(21,323)</u>	<u>(75)</u>
Net Increase (Decrease)	<u>\$305,738</u>	<u>(\$21,124)</u>	<u>(\$18,743)</u>	<u>(\$ 75)</u>

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED JUNE 30, 1999

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable consists of the following:

	<u>C-5008 Owned</u>	<u>C-10008 Section 8</u>	<u>Senior Center</u>	<u>Gift Store</u>
Vendors and Contractors	\$ 72,740	\$ 23,897	\$11,812	\$-0-
HUD	-0-	105,488	-0-	-0-
Other	<u>2,390</u>	<u>2,801</u>	<u>14,468</u>	<u>115</u>
Total	<u>\$77,830</u>	<u>\$132,186</u>	<u>\$26,280</u>	<u>\$ 115</u>

NOTE 6 - NOTES PAYABLE

Notes payable represent advances from HUD for project development and modernization, with interest rates ranging from 6.625% to 10.00%.

	<u>Annual Contributions</u>	
<u>Project Notes</u>	<u>Interest Rate</u>	<u>Contract C-5008</u>
OH 28-4	6.625%	\$ 5,516
OH 28-8	6.625%	936,680
CIAP 904	8.000%	100,000
OH 28-12	10.000%	1,400,320
OH 28-13	10.000%	<u>1,049,038</u>
Total		<u>\$3,491,554</u>

Advances have been made by HUD to the Authority to finance the development and modernization activities of the Authority. HUD provides annual contributions for the payment of principal and interest on advance notes. Under the provisions of the Housing and Community Development Reconciliation Amendments of 1985, the Department of Housing and Urban Development has begun proceedings to forgive outstanding principal and interest on advance notes payable. The Department of Housing and Urban Development has changed funding to these projects from advanced notes to grants. Current financing for modernization and new development by the Department of Housing and Urban Development are funded with grants.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED JUNE 30, 1999

NOTE 7 - TRUST AND DEPOSIT LIABILITIES

Trust and deposit liabilities consist of the following:

	<u>Annual Contributions Contract</u>	
	<u>C-5008</u> <u>Owned</u>	<u>C-10008</u> <u>Section 8</u>
Tenant Security Deposits	\$25,800	\$ -0-
Escrow Payable	<u>45,759</u>	<u>171,371</u>
Total	<u>\$71,559</u>	<u>\$171,371</u>

NOTE 8 - FIXED LIABILITIES

The fixed liabilities consist of Housing Authority Bonds outstanding at June 30, 1999, summarized as follows:

	Interest <u>Rate</u>	<u>Annual Contributions Contract</u>	
		<u>Maturity Date</u>	<u>C-5008</u> <u>Amount</u>
Housing Authority Bonds	5.25%	Annually to 2009	\$1,118,530

The notes are loans to the Authority, guaranteed by a pledge of faith of the U.S. Government, to finance development and modernization costs. Principal and interest on these loans will be directly paid through annual contributions for debt service from HUD to the authorized fiscal agent of the bond issue.

NOTE 9 - ADMINISTRATIVE FEE

The Housing Authority had management contracts with the following for the management of Section 8, New Construction Units, as follows:

William Waldock	30 units - Fee \$27.00 per month
Robert Lazarony	40 units - Fee \$20.00 per month

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 1999

NOTE 9 - ADMINISTRATIVE FEE, Continued

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Housing Assistance Payments (HAP) Programs. The fee is a percentage of the existing Fair Market Rent for a two-bedroom, nonelevator unit in the locality, or \$15 (whichever is greater), for each unit-month under HAP contract. The rates are as follows:

Certificates- \$34.15 to 38.62 Per Unit
Voucher - \$34.15 to 38.62 Per Unit
Moderate Rehabilitation - \$34.15 to 38.62 Per Unit

NOTE 10 - ALLOCATION OF COSTS

The Housing Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 11 - RETIREMENT AND OTHER BENEFIT PLANS

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (P.E.R.S.), a statewide cost-sharing multiple-employer defined benefit pension plan. P.E.R.S. provides retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The P.E.R.S. issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages. The 1998 employer contribution rate for State employees is 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to P.E.R.S. for the years ending June 30, 1999, 1998 and 1997 were \$129,331, \$130,295, and \$108,026, respectively. All required contributions were made prior to each of those fiscal year ends.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 1999

NOTE 12 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefits (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to P.E.R.S. is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate was 13.55% of covered payroll; 5.11% was the portion that was used to fund health care for the year 1998.

The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to P.E.R.S.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions. Under the new method, effective January 1, 1998, employer contributions equal to 4.2 % of member covered payroll will be used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

NOTE 13 - DEFERRED COMPENSATION

The Authority may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 YEAR ENDED JUNE 30, 1999

NOTE 13 - DEFERRED COMPENSATION, Continued

The plan Agreement states that the Authority and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

See Note 18 regarding the effect of implementation of GASB 32.

NOTE 14 - CASH DEPOSITS AND INVESTMENTS

The Housing Authority's cash deposits and investments were held by the Authority's custodial bank in the Authority's name. The cash deposits are covered by federal depository insurance up to the maximum allowed by law. The cash deposits in excess of \$100,000 are collateralized by the bank.

<u>Investments:</u>	<u>Owned Housing</u>	<u>Section 8</u>	<u>Senior Center</u>
Money Market	\$ 78,701	\$ -0-	\$ -0-
Certificate of Deposits	706,932	-0-	76,426
Interest Bearing Cash Deposits	<u>37,920</u>	<u>171,371</u>	<u>-0-</u>
TOTALS	<u>\$823,553</u>	<u>\$171,371</u>	<u>\$76,426</u>

NOTE 15 - OFF BALANCE SHEET RISK

At year end, the carrying amount of the Authority's deposits was \$1,414,800 and the bank balances were \$1,571,800, respectively. Of the bank balances, \$200,000 was covered by Federal Depository Insurance.

NOTE 16 - INSURANCE

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

NOTE 17 - ACCUMULATED COMPENSATED ABSENCES

Accumulated noncurrent compensated absences is not accrued. Management estimates that \$41,600 in vacation leave has been accumulated at June 30, 1999 by employees of the Authority. All leave will either be: absorbed by time off from work; or, within certain limitations, be paid to the employees; or forfeited by the employees.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEARS ENDED JUNE 30, 1999

NOTE 18 - ACCOUNTING CHANGES

The Authority implemented the provisions of the following Government Accounting Standards Board (GASB) Statements in the accompanying financial statements.

GASB 32 - "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," requires that for deferred compensation plans to be eligible plans under IRC Section 457, all assets and income of the plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. Existing plans are required to comply with this Statement by January 1, 1999. The state-wide deferred compensation plan that the Authority participates in is in compliance with IRC Section 457 at June 30, 1999. The implementation of this Statement had no effect on the accompanying financial statements since the accounting policy of the Authority did not require the recording of the \$240,775 of investments (deferred compensation agency fund).

Effective July 1, 1998, the Authority changed its capitalization policy for recording fixed assets. This change has been accounted for as a change in accounting estimate. The effect of this change resulted in a \$293,777 reduction of income. The change in the capitalization policy was a result of differences in asset costs between the time that the previous policy was adopted and the current fiscal year and due to a perceived lack of future economic benefit to be derived from deferring the costs of smaller fixed assets.

Effective July 1, 1999 the Authority will be required by HUD to convert its basis of presentation from the accounting practices prescribed or permitted by HUD to generally accepted accounting principles. The Authority has not yet determined the final impact of this change on its financial statements, but expects it will be material.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Expenditures for the Year Ended June 30, 1999</u>
<u>U.S. Department of HUD</u>					
Direct Programs:					
Low Income Public Housing Assistance:					
PHA Owned Rental Housing	14.850	C-5008	6/30/99	\$ 803,803	\$ 894,164
Comprehensive Grant Program	14.852	C-5008	6/30/99	<u>661,871</u>	<u>661,871</u>
Total Low Income Housing Assistance				<u>1,465,674</u>	<u>1,556,035</u>
Housing Assistance Payments - Cluster:					
Lower Income Housing Assistance Program					
- Existing	14.857	C-10008	6/30/99	3,046,941	3,046,941
Lower Income Housing Assistance Program					
- Moderate Rehabilitation	14.856	C-10008	6/30/99	4,122	4,122
Lower Income Housing Assistance Program					
- Voucher	14.855	C-10008	6/30/99	<u>1,060,080</u>	<u>1,060,080</u>
Total Housing Assistance Payment Support - Cluster				<u>4,111,143</u>	<u>4,111,143</u>
Total U.S. Department of Housing and Urban Development				<u>5,576,817</u>	<u>5,667,178</u>
<u>U.S. Department of Health and Human Services</u>					
Passed through Area Office on Aging of Northwestern Ohio, Inc.					
Title III-B - Grants for: Supportive Services and Senior Centers	93.633	N/A	6/30/99	50,864	50,863
Title III-C - Nutrition Services	93.635	N/A	6/30/99	<u>258,416</u>	<u>258,417</u>
Total U.S. Department of Health and Human Services				<u>309,280</u>	<u>309,280</u>
TOTAL FEDERAL ASSISTANCE				<u>\$5,886,097</u>	<u>\$5,976,458</u>

Note: This Schedule has been prepared in accordance with the accounting practices prescribed or permitted by the Department of Housing and Urban Development.

SEE INDEPENDENT AUDITORS' REPORT

ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF COMPUTATION OF RESIDUAL RECEIPTS AND
 ACCRUING ANNUAL CONTRIBUTIONS - PHA OWNED HOUSING
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-5008

Project No. OH28-4,7,8,9,12,13

Computation of Residual Receipts

Operating Receipts

Operating Income (P. 4)	\$ 326,888
Receipt from Non-Expendable Equipment on Not Replaced	91,836
HUD Operating Subsidy (P. 14)	<u>658,708</u>
 Total Operating Receipts	 1,077,432

Operating Expenditures

Operating Expenses (P. 4)	1,127,102
Capital Expenditures	40,763
Prior Years Adjustments Affecting Residual Receipts (P. 4)	(<u>75</u>)
 Total Operating Expenditures	 <u>1,167,790</u>
 Residual Receipts per PHA Before Provision for (Reduction of) Reserve	 (90,358)
 Provision for (Reduction of) Operating Reserve (P. 12 and 13)	 (<u>90,358</u>)
 Residual Receipts per PHA	 \$ <u>-0-</u>

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ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF COMPUTATION OF ANNUAL CONTRIBUTIONS EARNED AND
 PROJECT ACCOUNT - OPERATING RESERVE CHANGES
 HOUSING ASSISTANCE PAYMENTS PROGRAM - EXISTING HOUSING
 CERTIFICATE
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project No. OH12-E028-008-029

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$3,215,017
Pro Rata Maximum Annual Contribution Applicable to a Period of less than Twelve Months	<u>-0-</u>
Maximum Contribution for Period	3,215,017
Project Account Balance at Beginning of Fiscal Year	<u>941,450</u>
 Total Annual Contribution Available	 <u>\$4,156,467</u>

Annual Contribution Required

Administrative Fee	\$ 311,870
Audit Fee	5,929
Housing Assistance Payments	2,735,022
Hard-to-House Fee	<u>45</u>
 Total Funds Required	 3,052,866
 Project Receipts Other than Annual Contribution	 (<u>5,925</u>)
 Total Annual Contribution Required	 <u>\$3,046,941</u>

Project Account Change

Provision for Project Account (P. 12 and 13)	\$ <u>168,076</u>
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Annual Contribution Earned

Lesser of Contribution Available or Contribution Required (P. 14)	<u>\$3,046,941</u>
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"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF COMPUTATION OF ANNUAL CONTRIBUTIONS EARNED
 AND PROJECT ACCOUNT - OPERATING RESERVE CHANGES
 HOUSING ASSISTANCE PAYMENTS PROGRAM - EXISTING HOUSING
 CERTIFICATE, CONTINUED
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project No. OH12-E028-008-029

Operating Reserve Change

Operating Income - (P. 5)	\$ 21,337
Receipt from Non-Expendable Equipment Not Replaced	-0-
Annual Contribution Earned	<u>3,046,941</u>
 Total Operating Receipts	 3,068,278

Operating Expenditures

Operating Expenses (P. 5)	3,043,669
Replacement Of Nonexpendable Equipment	-0-
Capital Expenditures	-0-
Prior Year Adjustment Affecting Residual Receipts (P. 5)	(<u>49</u>)
 Total Operating Expenditures	 <u>3,043,620</u>
 Net Operating Receipts (Deficit) Available	 24,658
Provision (Reduction) for Operating Reserve (P. 12 and 13)	<u>24,658</u>
 Deficit Carryover	 <u>\$ -0-</u>

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF COMPUTATION OF ANNUAL CONTRIBUTIONS EARNED AND
 PROJECT ACCOUNT - OPERATING RESERVE CHANGES
 HOUSING ASSISTANCE PAYMENTS PROGRAM - VOUCHER
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project Number OH12-V028-008/015

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$1,157,118
Pro Rata Maximum Annual Contribution Applicable to a Period of Less than Twelve Months	<u>-0-</u>
Maximum Contribution for Period	1,157,118
Project Account Balance at Beginning of Fiscal Year	<u>375,979</u>
Total Annual Contribution Available	<u>\$1,533,097</u>

Annual Contribution Required

Administrative Fee	\$ 104,186
Audit Fee	1,977
Housing Assistance Payments	956,044
Hard-to-House Fee	<u>315</u>
Total Funds Required	1,062,522
Project Receipts Other Than Annual Contribution	(<u>2,442</u>)
Total Annual Contribution Required	<u>\$1,060,080</u>

Project Account Change

Provision for Project Account (P. 12 and 13)	<u>\$ 97,038</u>
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Annual Contribution Earned

Lesser of Contribution Available or Contribution Required (P. 14)	<u>\$1,060,080</u>
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"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF COMPUTATION OF ANNUAL CONTRIBUTIONS EARNED AND
 PROJECT ACCOUNT - OPERATING RESERVE CHANGES
 HOUSING ASSISTANCE PAYMENTS PROGRAM - VOUCHER, CONTINUED
 YEAR ENDED JUNE 30, 1999

	Annual Contributions Contract <u>C-10008</u>
<u>Project No. OH12-V028-009/018</u>	
<u>Operating Reserve Change</u>	
Operating Income - (P. 6)	\$ 7,102
Annual Contribution Earned	<u>1,060,080</u>
Total Operating Receipts	1,067,182
<u>Operating Expenditures</u>	
Operating Expenses (P. 6)	1,059,222
Capital Expenditures	
Prior Year Adjustment Affecting Residual Receipts (P. 6)	(<u>19</u>)
Total Operating Expenditures	<u>1,059,203</u>
Net Operating Receipts (Deficit) Available	7,979
Provision for Operating Reserve (P. 12 and 13)	<u>7,979</u>
Deficit Carryover	\$ <u>-0-</u>

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF COMPUTATION OF ANNUAL CONTRIBUTIONS EARNED AND
 PROJECT ACCOUNT - OPERATING RESERVE CHANGES
 HOUSING ASSISTANCE PAYMENTS PROGRAM - MODERATE REHABILITATION
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project No. OH12-K028-001

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$ -0-
Pro Rata Maximum Annual Contribution Applicable to a Period of Less than Twelve Months	<u>-0-</u>
Maximum Contribution for Period	-0-
Project Account Balance at Beginning of Fiscal Year	<u>1,201,220</u>
 Total Annual Contribution Available	 <u>\$1,201,220</u>

Annual Contribution Required

Administrative Fee	\$ 722
Audit Fee	23
Housing Assistance Payments	<u>4,650</u>
 Total Funds Required	 5,395
 Project Receipts Other than Annual Contribution	 (<u>1,273</u>)
 Total Annual Contribution Required	 <u>\$ 4,122</u>

Project Account Change

Provision for Project Account (P. 12)	(<u>\$ 4,122</u>)
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Annual Contribution Earned

Lesser of Contribution Available or Contribution Required (P. 13 and 14)	<u>\$ 4,122</u>
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"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF COMPUTATION OF ANNUAL CONTRIBUTIONS EARNED AND
 PROJECT ACCOUNT - OPERATING RESERVE CHANGES
 HOUSING ASSISTANCE PAYMENTS PROGRAM - MODERATE REHABILITATION,
 CONTINUED
 YEAR ENDED JUNE 30, 1999

Annual Contributions Contract
C-10008

Project No. OH12-K028-001

Operating Reserve Change

Operating Income (P. 7)	\$1,970
Annual Contribution Earned	<u>4,122</u>
 Total Operating Receipts	 6,092
 <u>Operating Expenditures</u>	
Operating Expenses (P. 7)	6,443
Capital Expenditures	-0-
Prior Year Adjustments Affecting Residual Receipts (P. 7)	(<u>3</u>)
 Total Operating Expenditures	 <u>6,440</u>
 Net Operating Receipts (Deficit) Available	 (348)
 Provision for Operating Reserve (P. 12 and 13)	 (<u>348</u>)
 Deficit Carryover	 <u>\$-0-</u>

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF CUMULATIVE MODERNIZATION COSTS - COMPLETED
AT JUNE 30, 1999

	<u>CGP - 704</u>
Funds approved	\$367,847
Funds expended	<u>367,847</u>
Excess (deficit) of funds approved	\$ <u>-0-</u>
Funds advanced	367,847
Funds expended	<u>367,847</u>
Excess (deficit) of funds advanced	\$ <u>-0-</u>

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
 STATEMENT OF CUMULATIVE MODERNIZATION COSTS - UNCOMPLETED
 AT JUNE 30, 1999

	<u>CGP - 705</u>	<u>CGP - 706</u>
Funds approved	\$365,580	\$387,351
Funds expended	<u>362,522</u>	<u>162,722</u>
Excess (deficit) of funds approved	\$ <u>3,058</u>	\$ <u>224,629</u>
Funds advanced	\$362,522	\$162,722
Funds expended	<u>362,522</u>	<u>162,722</u>
Excess (deficit) of funds advanced	\$ <u>-0-</u>	\$ <u>-0-</u>

"SEE INDEPENDENT AUDITORS' REPORT"



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

To the Board of Commissioners
Erie Metropolitan Housing Authority
322 Warren Street
Sandusky, OH 44870-2265

We have audited the financial statements of Erie Metropolitan Housing Authority as of and for the year ended June 30, 1999, and have issued our report thereon dated October 11, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 Erie Metropolitan Housing Authority's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our 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 our audit, we considered Erie Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 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

Erie Metropolitan Housing Authority
Page Two

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Erie Metropolitan Housing Authority in a separate letter dated October 11, 1999.

This report is intended solely for the information of and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Weber · O'Brien, LTD.

October 11, 1999



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
Erie Metropolitan Housing Authority
322 Warren Street
Sandusky, OH 44870-2265

Compliance

We have audited the compliance of Erie Metropolitan Housing Authority 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 June 30, 1999. Erie Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results 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 Erie Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Erie Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Erie Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Erie Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Erie Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Erie Metropolitan Housing Authority in a separate letter dated October 11, 1999.

This report is intended solely for the information of and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Webster D. B. Co., LTD.

October 11, 1999

ERIE METROPOLITAN HOUSING AUTHORITY
 SANDUSKY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 1999

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___X___no
Reportable condition(s) identified not considered to be material weaknesses?	_____yes	___X___none reported
Noncompliance material to financial statements noted?	_____yes	___X___no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	___X___no
Reportable conditions(s) identified not considered to be material weaknesses?	_____yes	___X___none reported

Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.855	Housing Assistance Payments - Section 8 - Vouchers
14.856	Housing Assistance Payments - Section 8 - Moderate Rehabilitation
14.857	Housing Assistance Payments - Section 8 - Existing

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low risk auditee?	___X___yes	_____no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999

NONE

ERIE METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION - YEAR 2000 ISSUE (UNAUDITED)
YEARS ENDED JUNE 30, 1999

The Year 2000 Issue is the result of shortcomings in many computerized systems which can adversely affect operations.

The Erie Metropolitan Housing Authority has determined the systems which must be addressed include the preparation and reporting of: financial statements, payroll and employee benefits, tenant accounting transactions, budgets, and related support systems.

The Erie Metropolitan Housing Authority has completed an extensive search to assure it's computerized systems and equipment needed to conduct Authority operations are not affected by this issue. Remediation, validation, and testing of these systems has been completed.

The U.S. Department of Housing and Urban Development (HUD) distributes a substantial sum of money to the Authority in the form of federal subsidies. HUD is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Authority is or will be Year 2000 ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be Year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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ERIE METROPOLITAN HOUSING AUTHORITY

ERIE 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.

By: *Susan Babbitt*

Date: MARCH 2, 2000