

Erie Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended June 30, 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Erie Metropolitan Housing Authority
322 Warren Street
Sandusky, Ohio 44870-2265

We have reviewed the Independent Auditor's Report of the Erie Metropolitan Housing Authority, Erie County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Erie 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

March 25, 2004

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ERIE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2003

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SALVATORE CONSIGLIO, CPA, INC. E-mail: sconsiglio@aol.com

Independent Auditors' Report

Board of Directors
Erie Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Erie Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Erie Metropolitan Housing Authority, Ohio, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

In accordance with *Government Auditing Standards*, I have also issued a report dated December 22, 2003, on my consideration of Erie Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

My Audit was performed for the purpose of forming and opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Erie Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the general purpose financial statements. The combining financial data schedule ("FDS") and the PHA's statements and certification of actual modernization costs are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respect in relation to the general purpose financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

December 22, 2003

Erie Metropolitan Housing Authority
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Units
 For the year ended June 30, 2003

	<i><u>Enterprise Fund</u></i>	<i><u>Component Units</u></i>	<i><u>Total (Memo Only)</u></i>
<u>ASSETS:</u>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 248,409	\$ 13,597	\$ 262,006
Investments	746,212	0	746,212
Receivables, net of Allowance	129,690	103,708	233,398
Due from other programs	24,774	0	24,774
Inventories, net of allowance	40,458	9,064	49,522
Cash-tenant security deposits	25,267	0	25,267
Deferred charges and other assets	3,752	0	3,752
Total Current Assets	1,218,562	126,369	1,344,931
NONCURRENT ASSETS:			
Fixed assets-net of accumulated depreciation	5,981,750	15,746	5,997,496
Notes and mortgages receivable	30,600	0	30,600
Total Noncurrent Assets	6,021,350	15,746	6,028,096
TOTAL ASSETS	\$ 7,230,912	\$ 142,115	\$ 7,373,027
<u>LIABILITIES & EQUITY</u>			
CURRENT LIABILITIES:			
Accounts Payable	\$ 153,880	\$ 30,357	\$ 184,237
Due to other programs	23,976	798	24,774
Intergovernmental Payables	6,086	0	6,086
Accrued wage/payroll taxes	27,155	0	27,155
Tenant security deposits	22,785	0	22,785
Deferred credits and other liabilities	115,439	0	115,439
Total Current Liabilities	349,321	31,155	380,476
NONCURRENT LIABILITIES:			
Other long-term liabilities	62,304	5,791	68,095
Total Noncurrent Liabilities	62,304	5,791	68,095
TOTAL LIABILITIES	411,625	36,946	448,571

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

Erie Metropolitan Housing Authority
 Combined Balance Sheet
 All Fund Types, Account Groups and Discretely Presented Component Units
 For the year ended June 30, 2003

LIABILITIES & EQUITY (CONTINUED)

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memo Only)</i>
EQUITY:			
Contributed Capital	6,111,741	13,208	6,124,949
Unreserved fund	707,546	91,961	799,507
Total Equity and other credits	6,819,287	105,169	6,924,456
 TOTAL LIABILITIES AND EQUITY	\$ 7,230,912	\$ 142,115	\$ 7,373,027

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

ERIE METROPOLITAN HOUSING AUTHORITY

Combined Statement of Revenue, Expenses and Change in Equity
All Fund Types, Account Groups and Discretely Presented Component Units
For the Year Ended June 30, 2003

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memo Only)</i>
REVENUES			
Tenant Revenue	\$ 344,782	\$ 0	\$ 344,782
Program grants/subsidies	6,084,857	0	6,084,857
Intergovernmental	195,703	0	195,703
Interest	16,277	218	16,495
Other Income	425,758	169,606	595,364
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	7,067,377	169,824	7,237,201
	<hr/>	<hr/>	<hr/>
EXPENSES			
Administrative	1,216,847	123,124	1,339,971
Tenant Services	20,458	0	20,458
Utilities	252,844	0	252,844
Maintenance	837,321	58,785	896,106
General	118,696	27,733	146,429
Housing Assistance Payment	4,603,292	0	4,603,292
Depreciation	537,146	4,949	542,095
Other Expense	375	0	375
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	7,586,979	214,591	7,801,570
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(519,602)	(44,767)	(564,369)
	<hr/>	<hr/>	<hr/>
Beginning Equity	7,339,796	147,470	7,487,266
Prior Period Adjustments	(907)	2,466	1,559
	<hr/>	<hr/>	<hr/>
ENDING EQUITY	\$ 6,819,287	\$ 105,169	\$ 6,924,456
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The accompanying notes to the general purpose financial statements are an integral part of these statements.

ERIE METROPOLITAN HOUSING AUTHORITY

Statement of Cash Flows

All Fund Types, Account Groups and Discretely Presented Component Units

For the year ended June 30, 2003

	<i><u>Enterprise</u></i>	<i><u>Component</u></i>	<i><u>Total</u></i>
	<i><u>Fund</u></i>	<i><u>Units</u></i>	<i><u>(Memo Only)</u></i>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Operating Income/(Loss)	\$ (519,602)	\$ (44,767)	\$ (564,369)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities			
- Depreciation	537,146	4,949	542,095
- (Increases) Decreases in Accounts Receivable	(37,549)	1,057	(36,492)
- (Increases) Decreases in Inventory	8,940	2,185	11,125
- (Increases) Decreases in Prepaid Assets	35,973	0	35,973
- Increases (Decreases) Accounts Payable	30,772	18,408	49,180
- Increases (Decreases) Accounts Payable - HUD	(8,308)	0	(8,308)
- Increases (Decreases) Accounts Payable - PILOT	(6,502)	0	(6,502)
- Increases (Decreases) Accrued Wages and Payroll	(9)	0	(9)
- Taxes Payable			
- Increases (Decreases) Deferred Revenue	(861)	0	(861)
- Increases (Decreases) Other Current Liabilities	1,140	0	1,140
- Increases (Decreases) FSS Payables	0	0	0
- Increases (Decreases) Allowance for Obsolete - Inventory	474	0	474
- Prior Period Adjustment	(907)	2,466	1,559
- Increases (Decreases) Due to/From	1,668	(1,668)	0
- Increases (Decreases) Compensated Absence	22,568	(3,091)	19,477
	<hr/>	<hr/>	<hr/>
Total Adjustments	584,545	24,306	608,851
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	64,943	(20,461)	44,482
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:			
Purchases of Assets	(179,207)	0	(179,207)
	<hr/>	<hr/>	<hr/>
NET CASH USED IN CAPITAL & FINANCING ACTIVITIES	(179,207)	0	(179,207)
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ERIE METROPOLITAN HOUSING AUTHORITY
 Statement of Cash Flows (Continued)
 All Fund Types, Account Groups and Discretely Presented Component Units
 For the year ended June 30, 2003

CASH FLOWS FROM INVESTING ACTIVITIES:			
Transfer from Investments	80,554	0	80,554
NET CASH USED IN INVESTING ACTIVITIES	80,554	0	80,554
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,710)	(20,461)	54,171)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	282,119	34,058	316,177
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 248,409	\$ 13,597	\$ 262,006

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

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Erie Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

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

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

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accompanying financial statements present the Authority's primary government and the Erie County Senior Center Gift Store, component unit, which the Authority exercises, significant control.

Component Units

The component unit is reported in the Authority financial statements as shown below:

<i><u>Discretely Presented Component Unit</u></i>	<i><u>Brief Description and Relationship</u></i>
Erie County Senior Center Gift Store	The Housing Authority operates a gift store at the senior center.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the operation of its programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2003 totaled \$16,495.

Fixed Assets

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

Cash and Cash Equivalents

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Contributions

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

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

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

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

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

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

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash					
Equivalents:					
Primary Government	\$ 439,012	\$ 439,012	\$0	\$0	\$ 273,676
Component Unit	13,597	13,597	0	0	13,597
Investments:					
Primary Government	746,212	746,212	0	0	746,212
Component Unit	0	0	0	0	0
Total Deposits	\$ 1,198,821	\$ 1,198,821	\$0	\$0	\$ 1,033,485

The carrying amount above includes \$775. petty cash funds.

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

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

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

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

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

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

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

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

NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority’s federal awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 4: 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 June 30, 2003 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 5: FIXED ASSETS

The following is a summary:

	Primary Government	Component Unit	Total
Land	\$ 722,933	\$ 0	\$ 722,933
Buildings	11,737,426	0	11,737,426
Furniture and Equipment	610,478	119,152	729,630
Total Fixed Assets	13,070,837	119,152	13,189,989
Accumulated Depreciation	(7,089,087)	(103,406)	(7,192,493)
Net Fixed Assets	\$ 5,981,750	\$ 15,746	\$ 5,997,496

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 5: FIXED ASSETS (Continued)

The following is a summary of changes:

	Balance 06/30/02	Additions	Deletion	Balance 06/30/03
Land	\$722,933	\$ 0	\$ 0	\$ 722,933
Buildings	11,634,554	102,872	0	11,737,426
Furniture and Equipment	657,165	76,335	3,870	729,630
Total Fixed Assets	<u>\$13,014,652</u>	<u>\$ 179,207</u>	<u>\$ 3,870</u>	<u>\$13,189,989</u>

The depreciation expense for the year ended June 30, 2003 was \$542,095

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All full-time employees of the authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement systems administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for the authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The authority required contributions to OPERS for the years ended June 30, 2003, 2002, and 2001 were \$136,007, \$134,854 and \$106,997 respectively. Ninety-Two percent has been contributed for 2003. All required contributions for the two previous years have been paid.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No.12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2003 was 5.0 percent of covered payroll, which amounted to \$50,187. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range for 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

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

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 8: PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$1,559 was necessary to properly state beginning equity balance. The adjustment was as follows:

- Adjustment of (\$4,040) from the Housing Choice Voucher Program for payment to tenant account receivable.
- Adjustment of \$5,599 for error in reporting within various programs as follows:
 - o Title III B Program \$1,498
 - o Title III C Program \$1,635
 - o Component Unit \$2,466

Erie Metropolitan Housing Authority

Combining Balance Sheet

FDS Schedule Submitted To REAC

Proprietary Fund Type – Enterprise Fund

June 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	Total
111	Cash - Unrestricted	\$1,536	\$2,856	\$232,907	\$0	\$13,597	\$0	\$11,110	\$262,006
114	Cash - Tenant Security Deposits	0	25,267	0	0	0	0	0	25,267
100	Total Cash	1,536	28,123	232,907	0	13,597	0	11,110	287,273
121	Accounts Receivable - PHA Projects	0	0	24,434	9,750	0	0	0	34,184
124	Accounts Receivable - Other Government	0	0	0	0	0	1,033	64,232	65,265
125	Accounts Receivable - Miscellaneous	0	2,510	0	0	103,708	13,018	9,793	129,029
126	Accounts Receivable - Tenants - Dwelling Rents	0	17,003	0	0	0	0	0	17,003
126.1	Allowance for Doubtful Accounts - Dwelling Rents	0	(13,597)	0	0	0	0	0	(13,597)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0
128	Fraud Recovery	0	0	61,021	0	0	0	0	61,021
128.1	Allowance for Doubtful Accounts - Fraud	0	0	(59,806)	0	0	0	0	(59,806)
129	Accrued Interest Receivable	0	299	0	0	0	0	0	299
120	Total Receivables, net of allowances for doubtful accounts	0	6,215	25,649	9,750	103,708	14,051	74,025	233,398
131	Investments - Unrestricted	0	658,060	0	0	0	0	0	658,060
135	Investments - Restricted for Payment of Current Liabilities	0	10,841	0	0	0	0	0	10,841
132	Investments Restricted	0	0	77,311	0	0	0	0	77,311
142	Prepaid Expenses and Other Assets	0	3,752	0	0	0	0	0	3,752
143	Inventories	167	29,505	5,800	0	9,064	0	8,174	52,710
143.1	Allowance for Obsolete Inventories	0	(3,188)	0	0	0	0	0	(3,188)

Erie Metropolitan Housing Authority

Combining Balance Sheet

FDS Schedule Submitted To REAC

Proprietary Fund Type – Enterprise Fund

June 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Special Programs for the Aging_ Title III, Part B_Grants for Supportive	Special Programs for the Aging_ Title III, Part C_Nutrition Services	Total
144	Interprogram Due From	0	24,774	0	0	0	0	0	24,774
150	Total Current Assets	1,703	758,082	341,667	9,750	126,369	14,051	93,309	1,344,931
161	Land	0	722,933	0	0	0	0	0	722,933
162	Buildings	0	11,650,845	39,277	47,304	0	0	0	11,737,426
163	Furniture, Equipment & Machinery - Dwellings	0	118,597	0	0	0	0	0	118,597
164	Furniture, Equipment & Machinery - Administration	0	403,239	75,004	0	119,152	0	13,638	611,033
165	Leasehold Improvements	0	0	0	0	0	0	0	0
166	Accumulated Depreciation	0	(7,005,186)	(69,368)	(1,822)	(103,406)	0	(12,711)	(7,192,493)
160	Total Fixed Assets, Net of Accumulated Depreciation	0	5,890,428	44,913	45,482	15,746	0	927	5,997,496
171	Notes, Loans, & Mortgages Receivable - Non Current	0	30,600	0	0	0	0	0	30,600
180	Total Non-Current Assets	0	5,921,028	44,913	45,482	15,746	0	927	6,028,096
190	Total Assets	\$1,703	\$6,679,110	\$386,580	\$55,232	\$142,115	\$14,051	\$94,236	\$7,373,027

312	Accounts Payable <= 90 Days	\$800	\$52,782	\$14,184	\$0	\$30,357	\$3,271	\$82,843	\$184,237
321	Accrued Wage/Payroll Taxes Payable	0	4,199	0	0	0	0	0	4,199
322	Accrued Compensated Absences - Current Portion	0	11,451	6,284	0	0	5,163	58	22,956

Erie Metropolitan Housing Authority

Combining Balance Sheet

FDS Schedule Submitted To REAC

Proprietary Fund Type – Enterprise Fund

June 30, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	Total
333	Accounts Payable - Other Government	0	6,086	0	0	0	0	0	6,086
341	Tenant Security Deposits	0	22,785	0	0	0	0	0	22,785
342	Deferred Revenues	0	145	1,214	0	0	0	0	1,359
345	Other Current Liabilities	0	15,943	20,826	0	0	0	0	36,769
346	Accrued Liabilities - Other	0	0	77,311	0	0	0	0	77,311
347	Interprogram Due To	182	0	11,800	9,750	798	1,725	519	24,774
310	Total Current Liabilities	982	113,391	131,619	9,750	31,155	10,159	83,420	380,476
354	Accrued Compensated Absences - Non Current	512	27,026	20,058	0	5,791	3,892	10,816	68,095
350	Total Noncurrent Liabilities	512	27,026	20,058	0	5,791	3,892	10,816	68,095
300	Total Liabilities	1,494	140,417	151,677	9,750	36,946	14,051	94,236	448,571
504	Net HUD PHA Contributions	0	6,071,818	37,551	0	0	0	0	6,109,369
507	Other Contributions	0	0	0	0	13,208	0	2,372	15,580
508	Total Contributed Capital	0	6,071,818	37,551	0	13,208	0	2,372	6,124,949
511	Total Reserved Fund Balance	0	0	0	0	0	0	0	0
512	Undesignated Fund Balance/Retained Earnings	209	466,875	197,352	45,482	91,961	0	(2,372)	799,507
513	Total Equity/Net Assets	209	6,538,693	234,903	45,482	105,169	0	0	6,924,456
600	Total Liabilities and Equity/Net Assets	\$1,703	\$6,679,110	\$386,580	\$55,232	\$142,115	\$14,051	\$94,236	\$ 7,373,027

Erie Metropolitan Housing Authority

Combining Statement of Revenue, Expenses and Change in Equity

FDS Schedule Submitted To REAC

Proprietary Fund Type – Enterprise Fund

June 30, 2003

	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	Total
	REVENUE:								
703	Net Tenant Rental Revenue	\$0	\$309,011	\$0	\$0	\$0	\$0	\$0	\$309,011
704	Tenant Revenue - Other	0	35,771	0	0	0	0	0	35,771
705	Total Tenant Revenue	0	344,782	0	0	0	0	0	344,782
706	HUD PHA Operating Grants	0	815,078	5,107,451	64,496	0	0	0	5,987,025
706.1	Capital Grants	0	0	0	97,832	0	0	0	97,832
708	Other Government Grants	0	0	0	0	0	75,907	119,796	195,703
711	Investment Income - Unrestricted	4	12,394	2,660	0	218	5	155	15,436
714	Fraud Recovery	0	0	70	0	0	0	0	70
715	Other Revenue	10,590	9,337	1,589	0	169,606	173,094	232,447	596,663
716	Gain/Loss on Sale of Fixed Assets	0	(1,369)	0	0	0	0	0	(1,369)
720	Investment Income - Restricted	0	0	1,059	0	0	0	0	1,059
700	Total Revenue	10,594	1,180,222	5,112,829	162,328	169,824	249,006	352,398	7,237,201

	EXPENSES:								
911	Administrative Salaries	5,157	230,381	257,477	47,346	90,257	142,737	110,440	883,795
912	Auditing Fees	255	2,270	8,832	0	511	472	598	12,938
915	Employee Benefit Contributions - Administrative	1,638	88,166	82,173	11,064	18,827	38,611	42,763	283,242
916	Other Operating - Administrative	1,951	41,607	88,560	1,200	13,529	10,944	2,205	159,996

Erie Metropolitan Housing Authority

Combining Statement of Revenue, Expenses and Change in Equity

FDS Schedule Submitted To REAC

Proprietary Fund Type – Enterprise Fund

June 30, 2003

	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Special Programs for the Aging_ Title III, Part B_Grants for Supportive	Special Programs for the Aging_ Title III, Part C_Nutrition Services	Total
921	Tenant Services - Salaries	0	13,352	0	0	0	0	0	13,352
923	Employee Benefit Contributions - Tenant Services	0	4,754	0	0	0	0	0	4,754
924	Tenant Services - Other	0	2,352	0	0	0	0	0	2,352
931	Water	0	54,413	0	0	0	0	0	54,413
932	Electricity	0	105,330	0	0	0	0	0	105,330
933	Gas	0	93,101	0	0	0	0	0	93,101
941	Ordinary Maintenance and Operations - Labor	0	123,804	0	0	0	0	0	123,804
942	Ordinary Maintenance and Operations - Materials and Other	0	79,116	0	0	30,001	32,569	171,561	313,247
943	Ordinary Maintenance and Operations - Contract Costs	1,025	270,727	53,255	4,886	28,784	22,813	23,624	405,114
945	Employee Benefit Contributions - Ordinary Maintenance	0	40,587	0	0	0	0	0	40,587
961	Insurance Premiums	20	59,492	21,156	0	2,034	0	350	83,052
962	Other General Expenses	0	4,754	3,683	0	25,283	0	0	33,720
963	Payments in Lieu of Taxes	0	6,086	0	0	0	0	0	6,086
964	Bad Debt - Tenant Rents	0	16,003	0	0	0	0	0	16,003
968	Severance Expense	0	1,833	1,833	0	416	2,358	1,128	7,568
969	Total Operating Expenses	10,046	1,238,128	516,969	64,496	209,642	250,504	352,669	2,642,454
970	Excess Operating Revenue over Operating Expenses	548	(57,906)	4,595,860	97,832	(39,818)	(1,498)	(271)	4,594,747
971	Extraordinary Maintenance	0	13,354	0	0	0	0	0	13,354
972	Casualty Losses - Non-Capitalized	0	375	0	0	0	0	0	375

Erie Metropolitan Housing Authority
 Combining Statement of Revenue, Expenses and Change in Equity
 FDS Schedule Submitted To REAC
 Proprietary Fund Type – Enterprise Fund
 June 30, 2003

	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	Total
973	Housing Assistance Payments	0	0	4,603,292	0	0	0	0	4,603,292
974	Depreciation Expense	0	496,146	5,771	33,865	4,949	0	1,364	542,095
900	Total Expenses	10,046	1,748,003	5,126,032	98,361	214,591	250,504	354,033	7,801,570
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	548	(567,781)	(13,203)	63,967	(44,767)	(1,498)	(1,635)	(564,369)

1103	Beginning Equity	461	6,724,862	251,346	363,127	147,470	0	0	7,487,266
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(800)	381,612	(3,240)	(381,612)	2,466	1,498	1,635	1,559
	Ending Equity	\$209	\$6,538,693	\$ 234,903	\$45,482	\$105,169	\$0	\$0	\$ 6,924,456
1113	Maximum Annual Contributions Commitment (Per ACC)	0	0	4,903,334	0	0	0	0	4,903,334
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	0	0	0	0	0
1115	Contingency Reserve, ACC Program Reserve	0	0	610,808	0	0	0	0	610,808
1116	Total Annual Contributions Available	0	0	5,514,142	0	0	0	0	5,514,142
1120	Unit Months Available	0	2,879	12,084	0	0	0	0	14,963
1121	Number of Unit Months Leased	0	2,766	11,775	0	0	0	0	14,541

Erie Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2003

Capital Fund Program Grant Number OH12P028501-01

1. The Actual Modernization Costs are as follows:

Funds Approved	\$464,902
Funds Expended	<u>464,902</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on March 4, 2003.
4. The final costs on the certification agree to the Authority's records.

Erie Metropolitan Housing Authority
Schedule of Expenditures Federal Award
For the Year Ended June 30, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$ 815,078
Housing Choice Voucher Program	14.871	5,107,451
Public Housing – Capital Fund Program	14.872	<u>162,328</u>
Total U.S. Department of Housing and Urban Development		<u>6,084,857</u>
U.S. Department of Health and Human Services Pass-Through Program From: Area Office on Aging of Northwestern Ohio, Inc.		
Aging Programs (Cluster)		
Special Program for the Aging – Title III, Part B		
Grants for Supportive Services and Senior Center	93.044	75,907
Special Programs for the Aging – Title III, Part C		
Nutrition Services	93.045	<u>119,796</u>
Total U.S. Department of Health and Human Services		<u>195,703</u>
Total Expenditure of Federal Award		<u><u>\$6,280,560</u></u>

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SALVATORE CONSIGLIO, CPA, INC. E-mail: sconsiglio@aol.com

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

Board of Directors
Erie Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2003, and have issued my report thereon dated December 22, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Erie Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

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weaknesses. A material weakness is a 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 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. However, I have noted other matters involving the internal control over financial reporting, which I have reported to management of Erie Metropolitan Housing Authority, Ohio's in a separate letter dated December 22, 2003.

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



Salvatore Consiglio, CPA, Inc.

December 22, 2003

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

Board of Directors
Erie Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Erie 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 June 30, 2003. Erie 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 Erie Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Erie 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 Erie 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 Erie Metropolitan Housing Authority, Ohio's compliance with those requirements.

As described in item FED-2003-1 through FED-2003-5 in the accompanying schedule of findings and questioned costs, Erie Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions that are applicable to its Low Rent Public Housing and Housing Choice Voucher Programs. Compliance with such requirements is necessary, in my opinion, for Erie Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

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In my opinion, except for the noncompliance described in the preceding paragraph, Erie Metropolitan Housing Authority, Ohio, 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, 2003.

Internal Control Over Compliance

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

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

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



Salvatore Consiglio, CPA, Inc.

December 22, 2003

Erie Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA #14.850, 14.871, and 14.872, Low Rent, Voucher, Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no Findings or questioned costs for the year ended June 30, 2003.

Erie Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

3. FINDINGS RELATED TO FEDERAL AWARDS	
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FINDING NUMBER

FED-2003-1

RELEASE OF INFORMATION FORM

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850a)**

The result of audit procedures over the Low Rent Public Housing tenant files revealed that the Authority was using the wrong form for release of authorization. The Authority was using form HUD-9887. The correct form that should have been used is HUD-9886.

24 CFR 5.230 states “Each member of the family of an assistance applicant or participant who is at least 18 years of age, and each family head and spouse regardless of age, shall sign one or more consent forms. The assistance applicant shall submit the signed consent forms to the processing entity when eligibility ... is being determined. A regular participant shall sign and submit consent forms at the next regularly scheduled income reexamination”.

The Authority staff explained that the error was due to a recent training that staff attended. The staff was told that the form to be used was HUD-9887.

Recommendation:

The correct form, HUD-9886, should be used at the next schedule certification.

PHA Response:

Recommendation will be implemented. At next scheduled recertification the correct form will be obtained.

FINDING NUMBER

FED-2003-2

THIRD PARTY VERIFICATION

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850a)
Housing Choice Voucher (CFDA # 14.871)**

A review of 15 Low Rent Public Housing tenant files and 15 Housing Choice Voucher tenant files revealed 8 errors. The files did not contain proper third party verification for

Erie Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

the assets in the bank accounts or for income reported. The Authority used the tenant bank savings book to documentation the assets reported.

Section 24 CFR 960.259 (c)(1) and 982.51(a)(2) states “The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;
- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income based rent.”

Third party verification is defined as independent verification of income and/or expenses by contacting the individual income/expense source supplied by the family. The verification documentation must be supplied directly to the independent source by the Public Housing Authority (PHA) and returned directly to the PHA from the independent source.

The PHA is aware of this requirement. No explanation was provided for the errors.

Recommendation:

The PHA must comply with the above requirement.

PHA Response:

Recommendation will be implemented. Currently that PHA is reviewing all files to ascertain that all required information is properly documented.

FINDING NUMBER	FED-2003-3
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TENANTS BIRTH CERTIFICATES

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850a)**

A review of 15 Low Rent Public Housing and 15 Housing Choice Voucher tenant files revealed 7 errors. The files did not contain a copy of the participant birth certificate.

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Erie Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

No explanation was provided for the errors.

Recommendation:

The PHA must make sure that proper supporting documentation is retained in the files.

PHA Response:

Recommendation will be implemented. Currently the staff is reviewing the files to ascertain that all required information is included.

FINDING NUMBER	FED-2003-4
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ANNUAL INSPECTIONS

**U.S. Department of HUD
Housing Choice Voucher (CFDA # 14.871)**

A review of 15 Housing Choice Voucher Tenant files revealed that 5 of the files did not document that the required annual inspection was done timely.

Section 24 CFR 982-405 (a) states “The PHA must inspect the unit leased to a family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed”

No explanation was provided for the errors. The PHA is aware of the requirement.

Recommendation:

The PHA must comply with the above requirement.

PHA Response:

Recommendation will be implemented.

Erie Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

FINDING NUMBER	FED-2003-5
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PAYMENT STANDARD

**U.S. Department of HUD
Housing Choice Voucher (CFDA # 14.871)**

A review of 15 Housing Choice Voucher Tenant files revealed 1 error. The wrong payment standard amount for 2 bedroom unit was used.

Section 24 CFR 982.503 requires that the PHA adopt a payment standard schedule that establishes a voucher payment amount for each fair market rent area in the PHA jurisdiction.

The error appears to have been an isolated incident. The PHA staff is aware of the requirement and has properly adopted a payment standard for each bedroom size.

Recommendation:

Due care must be exercise in preparing the form HUD-50058.

PHA Response:

Files are currently under review to catch such errors.

Erie Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 June 30, 2003

The following are the status of the June 30, 2002 audit findings. Those findings not fully corrected are repeated in the 2003 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
FED-2002-1	Annual Recertification	Yes	Finding no longer valid.
FED-2002-2	Release of Information Form	No	Finding partially corrected. Audit procedures revealed that the PHA was using the wrong form. The PHA used form HUD-9887 (this form is used by Multi-family Housing Program). The correct form that should have been used is HUD-9886. Finding noted in the report as FED-2003-1.
FED-2002-3	Rent Reasonableness	Yes	Finding no longer valid.
FED-2002-4	Record Retention	No	Finding partially corrected. Information in files is no longer destroyed. However, audit procedures revealed that certain required information (i.e. birth certificates) are not always documented in file. Finding noted in the report as FED-2003-3.



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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2004**