

Erie Metropolitan Housing Authority

Basic financial statements

For the Year Ended June 30, 2004





**Auditor of State  
Betty Montgomery**

Board of Directors  
Erie Metropolitan Housing Authority  
322 Warren St.  
Sandusky, OH 44870

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, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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 30, 2005

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ERIE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Statement of Net Assets	12-13
Statement of Revenue, Expenses and Change in Net Assets	14
Statement of Cash Flows	15-16
Notes to the Basic Financial Statements	17-27
Supplemental Data:	
Financial Data Schedules	28-33
Schedule of Expenditures of Federal Awards	34
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	35-36
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	37-38
Schedule of Findings and Questioned Costs	39
Schedule of Prior Audit Findings	40



6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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## 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 basic financial statements of Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Erie Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Erie Metropolitan Housing Authority, Ohio, as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of July 1, 2003. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 9, 2004, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming and opinion on the basic 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 basic financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



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Salvatore Consiglio, CPA, Inc.

November 9, 2004

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

The Erie Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12).

**FINANCIAL HIGHLIGHTS**

- The Authority's net assets decreased by \$.2 million (or 3.8%) during 2004. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$6.9 million and \$6.7 million for 2003 and 2004 respectively.
- Revenues increased by \$.7 million (or 10.0%) during 2004, and were \$7.2 million and \$7.9 million for 2003 and 2004 respectively.
- The total expenses of all Authority programs increased by \$.4 million (or 5.6%). Total expenses were \$7.8 million and \$8.2 million for 2003 and 2004 respectively.

**USING THIS ANNUAL REPORT**

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

**MD&A**

~ Management's Discussion and Analysis – pgs 3-11 ~

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

**Basic Financial Statements**

~ Authority-wide Financial Statements – pgs 12-16 ~

**Other Required Supplementary Information**

~ Required Supplementary Information pgs 28-34~  
(Other than the MD&A)

The primary focus of the Authority's financial statements is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

**Authority-Wide Financial Statements**

The Authority-wide financial statements (see pgs 12-16) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

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

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

Net Assets (formerly equity) are reported in three broad categories:

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

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

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

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

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

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

### **Fund Financial Statements**

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

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

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

**The Authority's Funds**

**Business Type Funds**

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

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

Special Programs for the Aging – Title III-C – Under the Title III-C Program, the Authority oversees the administration of the nutrition program by the Erie County Senior Center. Funding is received from the Area Office on Aging of Northwest Ohio, Inc. through the Department of Health and Human Services to provide nutritionally balanced meals to residents of Erie County age 60 and older. Meals are provided for a donation only.

Component Units – Under the component units, the Authority oversees the administration of the Erie County Senior Center Gift Store and the local fund-raising activities of the Erie County Senior Center to provide the local cash match needed for the Title III-B and Title III-C programs.

Special Programs for the Aging – Title III-B – represents resources derived from the administration of the Title III-B program by the Erie County Senior Center. The program provides services for the elderly of Erie County for transportation, escort, education, information & referral, volunteer placement, health assessment and socialization. Funding is received through the Area Office on Aging of Northwest Ohio, Inc. from the Department of Health and Human Services.

Business Activities – represents non-HUD resources derived from the management fees of the Erie Community Plaza, Inc. (a 202 PRAC project).

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

**AUTHORITY-WIDE STATEMENTS**

**Statement of Net Assets**

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

**TABLE 1**

**STATEMENT OF NET ASSETS**

	2003 (in millions of dollars)	2004 (in millions of dollars)
Current and Other Assets	\$1.4	\$1.5
Capital Assets	6.0	5.8
Total Assets	7.4	7.3
Current Liabilities	.4	.5
Long-Term Liabilities	.1	.1
Total Liabilities	.5	.6
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6.0	5.8
Restricted	.0	.0
Unrestricted	.9	.9
Total Net Assets	\$6.9	\$6.7

For more detailed information see page 12 for the Statement of Net Assets.

**Major Factors Affecting the Statement of Net Assets**

During 2004, current and other assets and current liabilities both increased by \$.1 million. The current and other assets, primarily cash and investments, increased in anticipation of payment of the current liabilities. Fraud recovery showed a significant increase due to the aggressive fraud recovery plan now in place.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

Capital assets also changed significantly, decreasing from \$6.0 million to \$5.8 million. The \$.2 million decrease may be attributed primarily to a combination of net acquisitions (\$.3 million), less current year depreciation and amortization (\$.5 million). For more detail see "Capital Assets" on page 24.

Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2  
CHANGE OF UNRESTRICTED NET ASSETS**

	Thousand of Dollars
Unrestricted Net Assets 06/30/03	\$927
Results of Operations	-34
Capital Expenditures (2)	-30
Prior Year Adjustments (1)	13
Unrestricted Net Assets 06/30/04	\$876

(1) Prior year adjustment was necessary to void unclaimed checks.

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

**TABLE 3**

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

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

	2004 (millions of dollars)	2003 (millions of dollars)
<b>Revenues</b>		
Tenant Revenue – Rents and Other	\$.3	\$.3
Operating Subsidies and Grants	6.4	6.1
Capital Grants	.3	.2
Investment Income	.0	.0
Other Revenues	.9	.6
Total Revenue	7.9	7.2
<b>Expenses</b>		
Administrative	1.4	1.3
Tenant Services	.0	.0
Utilities	.3	.3
Maintenance	.7	.9
Protective Services	.0	.0
General	.4	.2
Housing Assistance Payments	4.9	4.6
Depreciation	.5	.5
Total Expenses	8.2	7.8
Net Increase	\$-.3	\$-.6

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

Tenant revenue was stable during 2004 in comparison to 2003. Operating Subsidies, Grants and Capital Grants increased. The increase was due to two major factors: (1) the Authority has been engaging in a high level of Capital Improvement activity, which has resulted in increased Grant Revenues, and (2) the Authority has been aggressively

ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited

pursuing additional sources of other income for the Erie County Senior Center – predominately through the Serving Our Seniors levy funds.

Most expenses increased moderately due to inflation, except for Maintenance and Housing Assistance Payments. Housing Assistance Payments increased due to a higher level of leasing activities within the Authority's Housing Choice Voucher Program. The Authority rented units to more low income households, which increased Housing Assistance Payments as well as the associated HUD revenue. Maintenance expenses decreased due to a lower level of maintenance activity for outside contracts during the fiscal year 2004.

**CAPITAL ASSETS**

As of year end, the Authority had \$5.8 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$.2 million or 3.5% from the end of last year.

**TABLE 4**

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

	Business-type Activities	
	2004 (millions of dollars)	2003 (millions of dollars)
Land and land rights	\$.8	\$.8
Buildings	12.0	11.7
Equipment – Administrative	.6	.6
Equipment – Dwelling	.1	.1
Accumulated Depreciation	-7.7	-7.2
Construction In Progress	.0	.0
Total	5.8	6.0

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year Ended JUNE 30, 2004  
Unaudited**

**TABLE 5**

**CHANGE IN CAPITAL ASSETS  
(IN MILLIONS)**

	Business Type Activities
Beginning Balance	\$6.0
Additions, Net of Retirements	.3
Depreciation and Amortization	-.5
Ending Balance	\$5.8

This year's major additions primarily capital expenditures related to modernizing the Authority's housing developments. There was also a small amount of equipment purchases.

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Cheryl L. Ward, Finance Director of the Erie Metropolitan Housing Authority at (419) 625-0262, extension #1112. Specific requests may be submitted to the Erie Metropolitan Housing Authority at 322 Warren Street, Sandusky, Ohio 44870.

ERIE METROPOLITAN HOUSING AUTHORITY

Statement of Net Assets

Proprietary Funds

June 30, 2004

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$310,802	\$130,045	\$440,847
Investments	669,240	0	669,240
Receivables, net	180,682	55,768	236,450
Inventories, net	33,325	9,090	42,415
Prepaid expenses and other assets	10,350	0	10,350
Interprogram due from	93,032	0	93,032
<b>Total current assets</b>	<b>1,297,431</b>	<b>194,903</b>	<b>1,492,334</b>
<b>Noncurrent assets</b>			
Capital assets:			
Land	722,933	0	722,933
Building and equipment	12,668,119	118,061	12,786,180
Less accumulated depreciation	(7,617,016)	(106,386)	(7,723,402)
Capital assets, net	5,774,036	11,675	5,785,711
Other noncurrent assets	30,600	0	30,600
<b>Total noncurrent assets</b>	<b>5,804,636</b>	<b>11,675</b>	<b>5,816,311</b>
<b>Total assets</b>	<b>\$7,102,067</b>	<b>\$206,578</b>	<b>\$7,308,645</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$224,109	\$21,481	\$245,590
Accrued liabilities	110,146	1,116	111,262
Intergovernmental payables	41,706	0	41,706
Tenant security deposits	20,930	0	20,930
Deferred revenue	30,823	2,084	32,907
Other current liabilities	9,956	0	9,956
Interprogram due to	90,469	2,563	93,032
<b>Total current liabilities</b>	<b>528,139</b>	<b>27,244</b>	<b>555,383</b>

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

ERIE METROPOLITAN HOUSING AUTHORITY  
Statement of Net Assets (Continued)  
Proprietary Funds  
June 30, 2004

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>Noncurrent liabilities</b>			
Accrued compensated absences non-current	85,260	5,791	91,051
<b><i>Total noncurrent liabilities</i></b>	<b><i>85,260</i></b>	<b><i>5,791</i></b>	<b><i>91,051</i></b>
<b>Total liabilities</b>	<b>\$613,399</b>	<b>\$33,035</b>	<b>\$646,434</b>
 <b><i>NET ASSETS</i></b>			
Invested in capital assets, net of related debt	\$5,774,036	\$11,675	\$5,785,711
Unrestricted net assets	714,632	161,868	876,500
<b>Total net assets</b>	<b>\$6,488,668</b>	<b>\$173,543</b>	<b>\$6,662,211</b>

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

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b><i>OPERATING REVENUES</i></b>			
Tenant Revenue	\$328,267	\$0	\$328,267
Government operating grants	6,431,445	0	6,431,445
Other revenue	480,760	422,154	902,914
<b>Total operating revenues</b>	<b>7,240,472</b>	<b>422,154</b>	<b>7,662,626</b>
<b><i>OPERATING EXPENSES</i></b>			
Administrative	1,262,104	125,685	1,387,789
Tenant services	39,216	0	39,216
Utilities	287,941	0	287,941
Maintenance	676,587	53,393	729,980
Protective services	33,270	0	33,270
General	192,980	170,805	363,785
Housing assistance payment	4,856,212	0	4,856,212
Other operating expenses	5,005	0	5,005
Depreciation	529,649	4,071	533,720
<b>Total operating expenses</b>	<b>7,882,964</b>	<b>353,954</b>	<b>8,236,918</b>
<b>Operating income (loss)</b>	<b>(642,492)</b>	<b>68,200</b>	<b>(574,292)</b>
<b><i>NONOPERATING REVENUES (EXPENSES)</i></b>			
Interest and investment revenue	7,029	0	7,029
<b>Total nonoperating revenues (expenses)</b>	<b>7,029</b>	<b>0</b>	<b>7,029</b>
<b>Income (loss) before contributions and transfers</b>	<b>(635,463)</b>	<b>68,200</b>	<b>(567,263)</b>
Capital grants	290,199	0	290,199
Change in net assets	(345,264)	68,200	(277,064)
Total net assets - beginning	6,819,287	105,169	6,924,456
Prior Period Adjustments	14,645	174	14,819
<b>Total net assets - ending</b>	<b>\$6,488,668</b>	<b>\$173,543</b>	<b>\$6,662,211</b>

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

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating grants received	\$6,399,018	\$0	\$6,399,018
Tenant revenue received	317,155	0	317,155
Other revenue received	158,853	472,178	631,031
General and administrative expenses paid	(6,790,677)	(355,730)	(7,146,407)
Net cash provided (used) by operating activities	84,349	116,448	200,797
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital grant funds received	290,199	0	290,199
Property and equipment purchased	(320,215)	0	(320,215)
Net cash provided (used) by capital and related financing activities	(30,016)	0	(30,016)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Transfers to investments	(24,236)	0	(24,236)
Interest received	7,029	0	7,029
Net cash provided (used) by investing activities	(17,207)	0	(17,207)
Net increase (decrease) in cash	37,126	116,448	153,574
Cash and cash equivalents - Beginning of year (Restated to included tenant security deposit balance)	273,676	13,597	287,273
Cash and cash equivalents - End of year	\$310,802	\$130,045	\$440,847

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Net Operating Income (Loss)	(\$642,492)	\$68,200	(\$574,292)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities			
- Depreciation	529,649	4,071	533,720
- (Increases) Decreases in Accounts Receivable	(50,992)	47,940	(3,052)
- (Increases) Decreases in Inventory	7,664	(26)	7,638
- (Increases) Decreases in Prepaid Assets	(6,598)	0	(6,598)
- Increases (Decreases) in Accounts Payable	70,229	(8,876)	61,353
- Increases (Decreases) in Accounts Payable - HUD	41,706	0	41,706
- Increases (Decreases) in Accounts Payable - PILOT	(6,086)	0	(6,086)
- Increases (Decreases) in Accrued Wages and Payroll Taxes	492	0	492
- Increases (Decreases) in Compensated Absences Payable	30,245	0	30,245
- Increases (Decreases) in Deferred Revenue	29,464	2,084	31,548
- Increases (Decreases) in Other Current Liabilities	(26,813)	0	(26,813)
- Increases (Decreases) in Tenant Security Deposits	(1,855)	0	(1,855)
- Increases (Decreases) in Allowance for Obsolete Inventory	(531)	0	(531)
- Prior Period Adjustment	14,645	174	14,819
- Increases (Decreases) in Due to/From	66,493	1,765	68,258
- Increases (Decreases) in Compensated Absences	29,129	1,116	30,245
Net cash provided by operating activities	\$84,349	\$116,448	\$200,797

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

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

**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.

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

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

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

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

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

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.

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:

*Discretely Presented Component Unit*

Erie County Senior Center Gift Store

*Brief Description and Relationship*

The Housing Authority operates a gift store at the senior center.

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

**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 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.

**Description of programs**

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

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

D. **Special Program for the Aging – Title III C**

Under the title III-C Program, the Authority oversees the administration of the nutrition program by the Erie County Senior Center. Funding is received from the Area Office on Aging of Northwest Ohio, Inc. through the Department of Health and Human Services to provide nutritionally balance meals to residents of Erie County age 60 and older. Meals are provided for a donation only.

E. **Special Program for the Aging – Title III B**

This program provides services for the elderly of Erie County for transportation, escort, education, information & referral, volunteer placement, health assessments and socialization. Funding is received through the Area Office on Aging of Northwest Ohio, Inc. from the Department of Health and Human Services.

F. **Business Activities**

This program represents non-HUD resources derived from the management fees of the Erie Community Plaza, Inc.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2004 totaled \$7,029.

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

**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.

**Net Assets**

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

**Operating Revenues and Expenses**

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

**Cash and Cash Equivalents**

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

**Compensated Absences**

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

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:

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:

ERIE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2004  
 (CONTINUED)

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

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
<b>Cash and Cash</b>					
<b>Equivalents:</b>					
Primary Government	\$ 392,465	\$ 392,465	\$0	\$0	\$ 310,802
Component Unit	130,045	130,045	0	0	130,045
<b>Investments:</b>					
Primary Government	669,240	669,240	0	0	669,240
Component Unit	0	0	0	0	0
Total Deposits	<u>\$ 1,191,750</u>	<u>\$ 1,191,750</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 1,110,087</u>

The carrying amount above includes \$1,075 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.

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.

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

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

**NOTE 5: CAPITAL ASSETS**

The following is a summary:

	Primary Government	Component Unit	Total
Land	\$ 722,933	\$ 0	\$ 722,933
Buildings	12,037,208	0	12,037,208
Furniture and Equipment	630,911	118,061	748,972
Total Fixed Assets	13,391,052	118,061	13,509,113
Accumulated Depreciation	(7,617,016)	(106,386)	(7,723,402)
Net Fixed Assets	\$ 5,774,036	\$ 11,675	\$ 5,785,711

The following is a summary of changes:

	<b>Balance 06/30/03</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 06/30/04</b>
Land	\$ 722,933	\$ 0	\$ 0	\$ 722,933
Buildings	11,737,426	299,782	0	12,037,208
Furniture and Equipment	729,630	20,433	(1,091)	748,972
Total Fixed Assets	\$13,189,989	\$ 320,215	\$ (1,091)	\$13,509,113

The depreciation expense for the year ended June 30, 2004 was \$533,720.

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**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, 2004, 2003, and 2002 were \$1143,629, \$136,007 and \$134,854 respectively. Ninety-Two percent has been contributed for 2004. All required contributions for the two previous years have been paid.

**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 retirees with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirees. 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, 2004 was 5.0 percent of covered payroll, which amounted to \$52,999. 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

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

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.

**NOTE 8: PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$14,819 was necessary to properly state beginning equity balance. The adjustment was made to properly state fixed assets and for voiding unclaimed checks.

**NOTE 9: CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year 2004 the Authority Implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. The table bellow shows the reclassification adjustment necessary.

ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 9: CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

**Erie Metropolitan Housing Authority**

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$6,005,814	\$813,473	\$-0-	\$-0-	\$6,819,287
Reclassification- GASB 34	(6,005,814)	(813,473)	5,981,750	837,537	-0-
Restated Beginning Balance	-0-	-0-	5,981,750	837,537	6,819,287
Fixed Assets Addition	-0-	-0-	320,215	-0-	320,215
Unrestricted Assets used for Fixed Assets	-0-	-0-	-0-	(30,016)	(30,016)
Depreciation Expense	-0-	-0-	(529,649)	-0-	(529,649)
Prior Period Adjustment	-0-	-0-	1,720	12,925	14,645
Current Year Income	-0-	-0-	-0-	(105,814)	(105,814)
Ending Net Assets	\$-0-	\$-0-	\$5,774,036	\$714,632	\$6,488,668

**Erie County Senior Center Gift Store**

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$13,208	\$91,961	\$-0-	\$-0-	\$105,169
Reclassification- GASB 34	(13,208)	(91,961)	15,746	89,423	-0-
Restated Beginning Balance	-0-	-0-	15,746	89,423	105,169
Depreciation Expense	-0-	-0-	(4,071)	-0-	(4,071)
Prior Period Adjustment	-0-	-0-	-0-	174	174
Current Year Income	-0-	-0-	-0-	72,271	72,271
Ending Net Assets	\$-0-	\$-0-	\$11,675	\$161,868	\$173,543

Erie Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

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	\$27,615	\$3,121	\$254,538	\$0	\$130,045	\$1,912	\$0	\$417,231
114	Cash - Tenant Security Deposits	\$0	\$23,616	\$0	\$0	\$0	\$0	\$0	\$23,616
100	Total Cash	\$27,615	\$26,737	\$254,538	\$0	\$130,045	\$1,912	\$0	\$440,847
122	Accounts receivable - HUD other projects	\$0	\$0	\$0	\$66,611	\$0	\$0	\$0	\$66,611
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$41,168	\$41,168
125	Accounts Receivable - Miscellaneous	\$0	\$16,411	\$5,149	\$0	\$55,768	\$18,642	\$38	\$96,008
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$28,115	\$0	\$0	\$0	\$0	\$0	\$28,115
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$26,941)	\$0	\$0	\$0	\$0	\$0	(\$26,941)
126.2	Allowance for Doubtful Accounts – Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$368,009	\$0	\$0	\$0	\$0	\$368,009
128.1	Allowance for Doubtful Accounts – Fraud	\$0	\$0	(\$337,700)	\$0	\$0	\$0	\$0	(\$337,700)
129	Accrued Interest Receivable	\$0	\$1,180	\$0	\$0	\$0	\$0	\$0	\$1,180
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$18,765	\$35,458	\$66,611	\$55,768	\$18,642	\$41,206	\$236,450
131	Investments – Unrestricted	\$0	\$592,914	\$0	\$0	\$0	\$0	\$0	\$592,914
135	Investments - Restricted for Payment of Current Liabilities	\$0	\$12,113	\$64,213	\$0	\$0	\$0	\$0	\$76,326
142	Prepaid Expenses and Other Assets	\$0	\$9,421	\$929	\$0	\$0	\$0	\$0	\$10,350

Erie Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

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
143	Inventories	\$163	\$19,036	\$5,681	\$0	\$9,090	\$0	\$11,102	\$45,072
143.1	Allowance for Obsolete Inventories	\$0	(\$2,657)	\$0	\$0	\$0	\$0	\$0	(\$2,657)
144	Interprogram Due From	\$0	\$93,032	\$0	\$0	\$0	\$0	\$0	\$93,032
150	Total Current Assets	\$27,778	\$769,361	\$360,819	\$66,611	\$194,903	\$20,554	\$52,308	\$1,492,334
161	Land	\$0	\$722,933	\$0	\$0	\$0	\$0	\$0	\$722,933
162	Buildings	\$0	\$11,660,428	\$39,277	\$337,503	\$0	\$0	\$0	\$12,037,208
163	Furniture, Equipment & Machinery – Dwellings	\$0	\$135,797	\$0	\$0	\$0	\$0	\$0	\$135,797
164	Furniture, Equipment & Machinery – Administration	\$0	\$408,482	\$75,004	\$0	\$118,061	\$0	\$11,628	\$613,175
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	(\$7,516,803)	(\$79,313)	(\$9,505)	(\$106,386)	\$0	(\$11,395)	(\$7,723,402)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$5,410,837	\$34,968	\$327,998	\$11,675	\$0	\$233	\$5,785,711
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$30,600	\$0	\$0	\$0	\$0	\$0	\$30,600
180	Total Non-Current Assets	\$0	\$5,441,437	\$34,968	\$327,998	\$11,675	\$0	\$233	\$5,816,311
190	Total Assets	\$27,778	\$6,210,798	\$395,787	\$394,609	\$206,578	\$20,554	\$52,541	\$7,308,645
312	Accounts Payable <= 90 Days	\$0	\$149,472	\$36,599	\$0	\$21,481	\$3,521	\$34,517	\$245,590
321	Accrued Wage/Payroll Taxes Payable	\$0	\$4,691	\$0	\$0	\$0	\$0	\$0	\$4,691
322	Accrued Compensated Absences - Current Portion	\$705	\$6,601	\$17,278	\$0	\$1,116	\$1,733	\$2,812	\$30,245

Erie Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

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
331	Accounts payable - HUD PHA Programs	\$0	\$0	\$41,706	\$0	\$0	\$0	\$0	\$41,706
341	Tenant Security Deposits	\$0	\$20,930	\$0	\$0	\$0	\$0	\$0	\$20,930
342	Deferred Revenues	\$0	\$514	\$30,309	\$0	\$2,084	\$0	\$0	\$32,907
345	Other Current Liabilities	\$0	\$4,813	\$5,143	\$0	\$0	\$0	\$0	\$9,956
346	Accrued Liabilities – Other	\$0	\$12,113	\$64,213	\$0	\$0	\$0	\$0	\$76,326
347	Interprogram Due To	\$219	\$0	\$13,056	\$66,611	\$2,563	\$6,245	\$4,338	\$93,032
310	Total Current Liabilities	\$924	\$199,134	\$208,304	\$66,611	\$27,244	\$11,499	\$41,667	\$555,383
354	Accrued Compensated Absences - Non Current	\$512	\$38,477	\$26,342	\$0	\$5,791	\$9,055	\$10,874	\$91,051
350	Total Noncurrent Liabilities	\$512	\$38,477	\$26,342	\$0	\$5,791	\$9,055	\$10,874	\$91,051
300	Total Liabilities	\$1,436	\$237,611	\$234,646	\$66,611	\$33,035	\$20,554	\$52,541	\$646,434
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$5,410,837	\$34,968	\$327,998	\$11,675	\$0	\$233	\$5,785,711
512.1	Unrestricted Net Assets	\$26,342	\$562,350	\$126,173	\$0	\$161,868	\$0	(\$233)	\$876,500
513	Total Equity/Net Assets	\$26,342	\$5,973,187	\$161,141	\$327,998	\$173,543	\$0	\$0	\$6,662,211
600	Total Liabilities and Equity/Net Assets	\$27,778	\$6,210,798	\$395,787	\$394,609	\$206,578	\$20,554	\$52,541	\$7,308,645

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, 2004

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
703	Net Tenant Rental Revenue	\$0	\$276,162	\$0	\$0	\$0	\$0	\$0	\$276,162
704	Tenant Revenue – Other	\$0	\$52,105	\$0	\$0	\$0	\$0	\$0	\$52,105
705	Total Tenant Revenue	\$0	\$328,267	\$0	\$0	\$0	\$0	\$0	\$328,267
706	HUD PHA Operating Grants	\$0	\$799,545	\$5,385,688	\$87,305	\$0	\$0	\$0	\$6,272,538
706.1	Capital Grants	\$0	\$0	\$0	\$290,199	\$0	\$0	\$0	\$290,199
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$50,939	\$107,968	\$158,907
711	Investment Income - Unrestricted	\$80	\$5,773	\$1,145	\$0	\$0	\$0	\$0	\$6,998
714	Fraud Recovery	\$0	\$0	\$4,334	\$0	\$0	\$0	\$0	\$4,334
715	Other Revenue	\$37,240	\$18,142	\$4,996	\$0	\$422,154	\$175,262	\$240,786	\$898,580
720	Investment Income - Restricted	\$0	\$0	\$31	\$0	\$0	\$0	\$0	\$31
700	Total Revenue	\$37,320	\$1,151,727	\$5,396,194	\$377,504	\$422,154	\$226,201	\$348,754	\$7,959,854
911	Administrative Salaries	\$5,310	\$227,137	\$298,067	\$54,708	\$94,620	\$128,432	\$105,846	\$914,120
912	Auditing Fees	\$248	\$2,233	\$8,603	\$0	\$495	\$683	\$941	\$13,203
914	Compensated Absences	\$705	\$6,546	\$17,278	\$0	\$1,117	\$1,733	\$2,812	\$30,191
915	Employee Benefit Contributions – Administrative	\$1,307	\$71,381	\$77,089	\$12,332	\$18,055	\$37,179	\$32,564	\$249,907
916	Other Operating - Administrative	\$2,738	\$56,864	\$96,744	\$0	\$11,398	\$10,816	\$1,808	\$180,368
921	Tenant Services – Salaries	\$0	\$16,455	\$0	\$0	\$0	\$0	\$0	\$16,455
923	Employee Benefit Contributions - Tenant Services	\$0	\$6,226	\$0	\$0	\$0	\$0	\$0	\$6,226
924	Tenant Services – Other	\$0	\$16,535	\$0	\$0	\$0	\$0	\$0	\$16,535
931	Water	\$0	\$82,721	\$0	\$0	\$0	\$0	\$0	\$82,721
932	Electricity	\$0	\$97,962	\$0	\$0	\$0	\$0	\$0	\$97,962
933	Gas	\$0	\$107,258	\$0	\$0	\$0	\$0	\$0	\$107,258

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, 2004

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
941	Ordinary Maintenance and Operations – Labor	\$0	\$113,691	\$0	\$0	\$0	\$0	\$0	\$113,691
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$63,115	\$0	\$0	\$30,934	\$20,629	\$176,165	\$290,843
943	Ordinary Maintenance and Operations - Contract Costs	\$879	\$150,462	\$57,512	\$20,265	\$22,459	\$11,492	\$23,414	\$286,483
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$37,895	\$0	\$0	\$0	\$0	\$0	\$37,895
952	Protective Services - Other Contract Costs	\$0	\$33,270	\$0	\$0	\$0	\$0	\$0	\$33,270
961	Insurance Premiums	\$0	\$74,133	\$40,344	\$0	\$2,565	\$12,247	\$1,577	\$130,866
962	Other General Expenses	\$0	\$574	\$2,688	\$0	\$167,411	\$0	\$0	\$170,673
964	Bad Debt - Tenant Rents	\$0	\$48,849	\$0	\$0	\$0	\$0	\$0	\$48,849
968	Severance Expense	\$0	\$1,276	\$5,473	\$0	\$829	\$2,956	\$2,863	\$13,397
969	Total Operating Expenses	\$11,187	\$1,214,583	\$603,798	\$87,305	\$349,883	\$226,167	\$347,990	\$2,840,913
970	Excess Operating Revenue over Operating Expenses	\$26,133	(\$62,856)	\$4,792,396	\$290,199	\$72,271	\$34	\$764	\$5,118,941
971	Extraordinary Maintenance	\$0	\$1,068	\$0	\$0	\$0	\$0	\$0	\$1,068
972	Casualty Losses - Non-Capitalized	\$0	\$5,005	\$0	\$0	\$0	\$0	\$0	\$5,005
973	Housing Assistance Payments	\$0	\$0	\$4,856,212	\$0	\$0	\$0	\$0	\$4,856,212
974	Depreciation Expense	\$0	\$511,326	\$9,946	\$7,683	\$4,071	\$0	\$694	\$533,720
900	Total Expenses	\$11,187	\$1,731,982	\$5,469,956	\$94,988	\$353,954	\$226,167	\$348,684	\$8,236,918
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$26,133	(\$580,255)	(\$73,762)	\$282,516	\$68,200	\$34	\$70	(\$277,064)

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, 2004

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
1103	Beginning Equity	\$209	\$6,538,693	\$234,903	\$45,482	\$105,169	\$0	\$0	\$6,924,456
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$14,749	\$0	\$0	\$174	(\$34)	(\$70)	\$14,819
	Ending Equity	\$26,342	\$5,973,187	\$161,141	\$327,998	\$173,543	\$0	\$0	\$6,662,211
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$5,323,598	\$0	\$0	\$0	\$0	\$5,323,598
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	\$407,124	\$0	\$0	\$0	\$0	\$407,124
1116	Total Annual Contributions Available	\$0	\$0	\$5,730,722	\$0	\$0	\$0	\$0	\$5,730,722
1120	Unit Months Available	-	2,730	12,084	-	-	-	-	14,814
1121	Number of Unit Months Leased	-	2,444	11,723	-	-	-	-	14,167

Erie Metropolitan Housing Authority  
Schedule of Expenditures Federal Award  
For the Year Ended June 30, 2004

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
<b>U.S. Department of Housing and Urban Development Direct Program</b>		
Low Rent Public Housing	14.850a	\$ 799,545
Housing Choice Voucher Program	14.871	5,385,688
Public Housing – Capital Fund Program	14.872	<u>377,504</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b><u>6,562,737</u></b>
<b>U.S. Department of Health and Human Services Pass-Through Program From: Area Office on Aging of Northwestern Ohio, Inc.</b>		
Aging Programs (Cluster)		
Special Program for the Aging – Title III, Part B		
Grants for Supportive Services and Senior Center	93.044	50,939
Special Programs for the Aging – Title III, Part C		
Nutrition Services	93.045	<u>107,968</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>158,907</u></b>
<b>Total Expenditure of Federal Award</b>		<b><u><u>\$6,721,644</u></u></b>

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6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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

Board of Directors  
Erie Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the basic financial statements of the Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, and have issued my report thereon dated November 9, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Erie Metropolitan Housing Authority, Ohio's basic 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 basic 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style. A vertical line is positioned to the left of the signature, and a horizontal line is positioned below it, forming a partial signature box.

Salvatore Consiglio, CPA, Inc.

November 9, 2004



6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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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, 2004. 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.

In my opinion, 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, 2004.

## **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. However, I have noted other matters involving the internal control over compliance, which I have reported to management of Erie Metropolitan Housing Authority, Ohio's in a separate letter dated November 9, 2004.

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



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Salvatore Consiglio, CPA, Inc.

November 9, 2004

Erie Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2004

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
--

There are no Findings or questioned costs for the year ended June 30, 2004.

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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There are no Findings or questioned costs for the year ended June 30, 2004.

Erie Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2004

The following are the status of the June 30, 2003 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; <b>Explain:</b>
FED-2003-1	Wrong release of information form was used	Yes	Partially Corrected – The result of audit procedures revealed that the correct form HUD-9886 was in the files reviewed for all new annual recertification. However, a follow-up files reviewed showed that one staff person was still using the wrong form 9887. This was only noted on files that were not selected for quality review. A management comment was issued.
FED-2003-2	Proper third party income verification not in files	Yes	Corrected – No exceptions noted in files reviewed.
FED-2003-3	Birth certificated not documented in files	Yes	Corrected – No exceptions noted in files reviewed.
FED-2003-4	Required annual inspections was not done on units leased	Yes	Corrected – No exceptions noted in files reviewed.
FED-2003-5	Wrong payment standard used	Yes	Corrected – No exceptions noted in files reviewed.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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 12, 2005**