

Erie Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
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, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Erie Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 13, 2006

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ERIE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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

Independent Auditors' Report

Board of Directors
Erie Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These 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 financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the Erie Metropolitan Housing Authority, Ohio, as of June 30, 2005, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 27, 2006, 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 agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

My Audit was performed for the purpose of forming and opinion on the basic financial statements that collectively comprise the Erie Metropolitan Housing Authority basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are 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 financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

January 27, 2006

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended JUNE 30, 2005
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 \$.4 million (or 5.6%) during 2005. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$6.7 million and \$6.3 million for 2004 and 2005 respectively.
- Revenues decreased by \$.2 million (or 3.2%) during 2005, and were \$7.9 million and \$7.7 million for 2004 and 2005 respectively.
- The total expenses of all Authority programs decreased by \$.1 million (or 5.6%). Total expenses were \$7.8 million and \$8.2 million for 2003 and 2004 respectively.

Authority Financial Statements

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

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

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed 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, 2005
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 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 programs 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, 2005
Unaudited**

The Authority's Programs

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

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

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

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.

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.

Federal Emergency Management Agency – Through the FEMA grant, the Authority oversaw the administration of the emergency funds for a disaster caused by significant snow fall in month of December 2004. Funding was received through the State of Ohio Emergency Management Agency for the removal of the snow through contract workers and the Authority's maintenance staff.

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended JUNE 30, 2005
Unaudited**

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

Component Unit –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.

AUTHORITY STATEMENTS

Statement of Net Assets

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

TABLE 1

STATEMENT OF NET ASSETS

	2005 (in millions of dollars)	2004 (in millions of dollars)
Current and Other Assets	\$1.4	\$1.5
Capital Assets	5.6	5.8
Total Assets	7.0	7.3
Current Liabilities	.5	.5
Long-Term Liabilities	.2	.1
Total Liabilities	.7	.6
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5.6	5.8
Restricted	.0	.0
Unrestricted	.7	.9
Total Net Assets	\$6.3	\$6.7

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

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended JUNE 30, 2005
Unaudited**

Major Factors Affecting the Statement of Net Assets

During 2005, current and other assets decreased by \$.3 million and current liabilities increased by \$.1 million. The current and other assets, primarily cash and investments, decreased due to payment of the current liabilities. The decrease in total net assets is due largely to the reduction in the federal funding provided to the Low Rent Public Housing and the Housing Choice Voucher Programs during 2005 fiscal year.

Capital assets also changed, decreasing from \$5.8 million to \$5.6 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 23.

Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2
CHANGE OF UNRESTRICTED NET ASSETS**

	Millions of Dollars
Unrestricted Net Assets 06/30/04	\$.9
Results of Operations	-.4
Adjustments:	
Depreciation (1)	.5
Adjusted Result from Operation	.1
Capital Expenditures (2)	-.3
Unrestricted Net Assets 06/30/05	\$.7

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

(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

**ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended JUNE 30, 2005
Unaudited**

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.

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.

	2005 (millions of dollars)	2004 (millions of dollars)
Revenues		
Tenant Revenue – Rents and Other	\$.3	\$.3
Operating Subsidies and Grants	6.2	6.4
Capital Grants	.3	.3
Investment Income	.0	.0
Other Revenues	.9	.9
Total Revenue	7.7	7.9
Expenses		
Administrative and Tenant Services	1.5	1.4
Utilities	.3	.3
Maintenance	.8	.7
General and Other Expenses	.5	.4
Housing Assistance Payments	4.5	4.9
Depreciation	.5	.5
Total Expenses	8.1	8.2
Net Increase	\$-.4	\$-.3

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

Tenant revenue was stable during 2005 in comparison to 2004. Operating Subsidies, Grants and Capital Grants decreased. The decrease was mainly due to severe funding cuts of the administrative money for the Housing Choice Voucher Program and a 2% reduction in the Operating Subsidy for the Low Rent Public Housing Program.

ERIE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended JUNE 30, 2005
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Most expenses increased moderately due to inflation, except for except for Compensated Absences and Employee Fringe Benefits. Compensated absences incurred the large increase due to additional hours worked by supervisory staff to properly prepare for additional HUD monitoring requirements. Employee fringe benefits also increased in 2005 due to the rate increase in the medical insurance coverage for staff. Housing assistance payments decreased in 2005 due to drastic reduction in the per unit costs resulting from many cost savings measures implemented this year while maintaining the same level of leasing activities within the Housing Choice Voucher Program.

CAPITAL ASSETS

As of year end, the Authority had \$5.6 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 2.99% from the end of last year.

TABLE 4

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

	2005 (millions of dollars)	2004 (millions of dollars)
Land and land rights	\$.7	\$.8
Buildings	12.3	12.0
Equipment – Administrative	.5	.6
Equipment – Dwelling	.2	.1
Accumulated Depreciation	-8.1	-7.7
 Total	 5.6	 5.8

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, 2005
Unaudited**

TABLE 5

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

Beginning Balance	\$5.8
Additions, Net of Retirements	.3
Depreciation and Amortization	<u>- .5</u>
Ending Balance	<u>\$5.8</u>

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, 2005

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
ASSETS			
Current assets			
Cash and cash equivalents	\$521,048	\$103,382	\$624,430
Investments	488,081	0	488,081
Receivables, net	63,912	67,317	131,229
Inventories, net	34,954	9,861	44,815
Prepaid expenses and other assets	32,391	0	32,391
Total current assets	1,140,386	180,560	1,320,946
Noncurrent assets			
Capital assets:			
Land	722,441	0	722,441
Building and equipment	12,972,725	63,792	13,036,517
Less accumulated depreciation	(8,106,491)	(31,796)	(8,138,287)
Capital assets, net	5,588,675	31,996	5,620,671
Other noncurrent assets	11,608	0	11,608
Total noncurrent assets	5,600,283	31,996	5,632,279
Total assets	\$6,740,669	\$212,556	\$6,953,225
LIABILITIES			
Current liabilities			
Accounts payable	\$118,120	\$45,579	\$163,699
Accrued liabilities	6,052	601	6,653
Intergovernmental payables	260,616	\$0	260,616
Tenant security deposits	20,819	\$0	20,819
Deferred revenue	2,550	0	2,550
Other current liabilities	29,269	\$0	29,269
Total current liabilities	437,426	46,180	483,606

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, 2005

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
Noncurrent liabilities			
Accrued compensated absences non-current	111,061	6,907	117,968
Other non-current liabilities	64,602	0	64,602
<i>Total noncurrent liabilities</i>	<i>175,663</i>	<i>6,907</i>	<i>182,570</i>
Total liabilities	\$613,089	\$53,087	\$666,176
<i>NET ASSETS</i>			
Invested in capital assets, net of related debt	\$5,588,675	\$31,996	\$5,620,671
Unrestricted net assets	542,872	123,506	666,378
Total net assets	\$6,131,547	\$155,502	\$6,287,049

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, 2005

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
<i>OPERATING REVENUES</i>			
Tenant Revenue	\$292,174	\$0	\$292,174
Government operating grants	6,156,306	0	6,156,306
Other revenue	542,739	398,667	941,406
Total operating revenues	6,991,219	398,667	7,389,886
<i>OPERATING EXPENSES</i>			
Administrative	1,302,240	139,689	1,441,929
Tenant services	35,674	0	35,674
Utilities	285,909	0	285,909
Maintenance	732,305	63,681	795,986
Protective services	36,153	0	36,153
General	223,837	205,003	428,840
Housing assistance payment	4,542,661	0	4,542,661
Other operating expenses	2,500	0	2,500
Depreciation	527,958	8,335	536,293
Total operating expenses	7,689,237	416,708	8,105,945
Operating income (loss)	(698,018)	(18,041)	(716,059)
<i>NONOPERATING REVENUES (EXPENSES)</i>			
Interest and investment revenue	14,296	0	14,296
Capital grants	302,660	0	302,660
Total nonoperating revenues (expenses)	316,956	0	316,956
Change in net assets	(381,062)	(18,041)	(399,103)
Total net assets - beginning	6,488,668	173,543	6,662,211
Prior Periods Adjustments	23,941	0	23,941
Total net assets - ending	\$6,131,547	\$155,502	\$6,287,049

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, 2005

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating grants received	\$6,242,542	\$0	\$6,242,542
Tenant revenue received	348,680	0	348,680
Other revenue received	542,739	398,667	941,406
Housing assistance payments made	(4,542,661)	0	(4,542,661)
General and administrative expenses paid	(2,536,855)	(395,938)	(2,932,793)
Net cash provided (used) by operating activities	54,445	2,729	57,174
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grant funds received	302,660	0	302,660
Property and equipment purchased	(342,418)	(29,392)	(371,810)
Net cash provided (used) by capital and related financing activities	(39,758)	(29,392)	(69,150)
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfers from investments	104,833	0	104,833
Proceeds from sale of capital assets	104	0	104
Interest received	14,296	0	14,296
Net cash provided (used) by investing activities	119,233	0	119,233
Net increase (decrease) in cash	133,920	(26,663)	107,257
Cash and cash equivalents - Beginning of year (Restated to include FSS escrow cash balance)	387,128	130,045	517,173
Cash and cash equivalents - End of year	\$521,048	\$103,382	\$624,430

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

ERIE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2005

	<i>Enterprise Fund</i>	<i>Component Units</i>	<i>Total (Memorandum Only)</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net Operating Income (Loss)	(\$698,018)	(\$18,041)	(\$716,059)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities			
- Depreciation	527,958	8,335	536,293
- (Increases) Decreases in Accounts Receivable	140,908	(8,293)	132,615
- (Increases) Decreases in Inventory	(4,629)	(771)	(5,400)
- (Increases) Decreases in Prepaid Assets	(22,041)	0	(22,041)
- (Increases) Decreases in Other Assets	(8)	0	(8)
- (Increases) Decreases in Note Receivable	19,000	0	19,000
- Increases (Decreases) in Accounts Payable	(105,989)	24,098	(81,891)
- Increases (Decreases) in Accounts Payable - HUD	218,910	0	218,910
- Increases (Decreases) in Accrued Wages and Payroll Taxes	925	(515)	410
- Increases (Decreases) in Compensated Absences Payable	(1,776)	0	(1,776)
- Increases (Decreases) in Deferred Revenue	(28,273)	(2,084)	(30,357)
- Increases (Decreases) in Other Current Liabilities	19,313	0	19,313
- Increases (Decreases) in Tenant Security Deposits	(111)	0	(111)
- Increases (Decreases) in FSS Escrow Payable	(11,724)	0	(11,724)
Net cash provided by operating activities	\$54,445	\$2,729	\$57,174

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, 2005

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

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

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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(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:

Discretely Presented Component Unit
Erie County Senior Center Gift Store

Brief Description and Relationship
The Housing Authority board members represent a majority of the Erie County Senior Center therefore; it can significantly influence the activities. Also, the Authority staffs run the day to day operation which gives the Authority the responsibility for any financial support if necessary.

Basis of Presentation

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

Fund Accounting

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

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Description of programs

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

A. **Public Housing Program**

The public housing program is designed to provide low-cost housing within the 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.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Other Federal Program

The Authority received a small grant from the Ohio Emergency Management Agency for public assistance of \$1,641.

G. 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, 2005 totaled \$14,296.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

ERIE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005
 (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

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

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:

<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	\$ 587,390	\$ 587,390	\$0	\$0	\$ 521,048
Component Unit	103,382	103,382	0	0	103,382
Investments:					
Primary Government	488,081	488,081	0	0	488,081
Component Unit	0	0	0	0	0
Total Deposits	<u>\$ 1,178,853</u>	<u>\$ 1,178,853</u>	<u>\$0</u>	<u>\$0</u>	<u>\$ 1,112,511</u>

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

The carrying amount above includes \$650 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.

NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of expenditure of Federal Awards 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, 2005 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 4: RISK MANAGEMENT (Continued)

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	\$ 722,441	\$ 0	\$ 722,441
Buildings	12,345,907	0	12,345,907
Furniture and Equipment	626,818	63,792	690,610
Total Capital Assets	13,695,166	63,792	13,758,958
Accumulated Depreciation	(8,106,491)	(31,796)	(8,138,287)
Net Capital Assets	\$ 5,588,675	\$ 31,996	\$ 5,620,671

The following is a summary of changes of the Primary Government:

	Balance 06/30/04	Additions	Deletion	Balance 06/30/05
Land	\$ 722,933	\$ 0	\$ 492	\$ 722,441
Buildings	12,037,208	308,699	0	12,345,907
Furniture and Equipment	630,911	33,719	37,812	626,818
Total Capital Assets	\$13,391,052	\$ 342,418	\$ 38,304	\$13,695,166

The depreciation expense for the year ended June 30, 2005 was \$527,958.

The following is a summary of changes of the Component Unit:

	Balance 06/30/04	Additions	Deletion	Balance 06/30/05
Land	\$ 0	\$ 0	\$ 0	\$ 0
Buildings	0	0	0	0
Furniture and Equipment	118,061	29,392	83,661	63,792
Total Capital Assets	\$ 118,061	\$ 29,392	\$ 83,661	\$ 63,792

The depreciation expense for the year ended June 30, 2005 was \$8,335.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

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

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system 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.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 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, 2005, 2004, and 2003 were \$154,746, \$143,629 and \$136,007 respectively. Ninety-Two percent has been contributed for 2005. All required contributions for the two previous years have been paid.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(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 2005 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2005 was 4.0 percent of covered payroll, which amounted to \$45,681. 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, 2004. 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 2004 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 from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

ERIE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
(CONTINUED)

NOTE 8: PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$23,941 represented adjustments made to the Low Rent Public Housing Program to restate the obsolete inventory by \$3,000 and adjustment to the tenant receivable for write-off of \$26,941.

Erie Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program (FEMA)	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	\$3,793	\$34,812	\$381,694	\$0	\$103,382	\$0	\$0	\$12,376	\$536,057
113	Cash - Other Restricted	\$0	\$14,643	\$49,959	\$0	\$0	\$0	\$0	\$0	\$64,602
114	Cash - Tenant Security Deposits	\$0	\$23,771	\$0	\$0	\$0	\$0	\$0	\$0	\$23,771
100	Total Cash	\$3,793	\$73,226	\$431,653	\$0	\$103,382	\$0	\$0	\$12,376	\$624,430
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$16,572	\$0	\$0	\$0	\$0	\$16,572
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$1,458	\$3,513	\$4,971
125	Accounts Receivable - Miscellaneous	\$870	\$1,311	\$39	\$0	\$67,317	\$0	\$24,555	\$242	\$94,334
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$19,146	\$0	\$0	\$0	\$0	\$0	\$0	\$19,146
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$16,893)	\$0	\$0	\$0	\$0	\$0	\$0	(\$16,893)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$372,283	\$0	\$0	\$0	\$0	\$0	\$372,283
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	(\$360,817)	\$0	\$0	\$0	\$0	\$0	(\$360,817)
129	Accrued Interest Receivable	\$0	\$1,633	\$0	\$0	\$0	\$0	\$0	\$0	\$1,633
120	Total Receivables, net of allowances for doubtful accounts	\$870	\$5,197	\$11,505	\$16,572	\$67,317	\$0	\$26,013	\$3,755	\$131,229
131	Investments - Unrestricted	\$0	\$488,081	\$0	\$0	\$0	\$0	\$0	\$0	\$488,081
142	Prepaid Expenses and Other Assets	\$0	\$31,040	\$1,351	\$0	\$0	\$0	\$0	\$0	\$32,391
143	Inventories	\$173	\$21,257	\$6,002	\$0	\$9,861	\$0	\$0	\$13,622	\$50,915
143.1	Allowance for Obsolete Inventories	\$0	(\$6,100)	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,100)
144	Interprogram Due From	\$0	\$55,682	\$0	\$0	\$0	\$0	\$0	\$0	\$55,682

Erie Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program (FEMA)	Special Programs for the Aging Title III, Part B_Grants for Supportive	Special Programs for the Aging Title III, Part C_Nutrition Services	Total
150	Total Current Assets	\$4,836	\$668,383	\$450,511	\$16,572	\$180,560	\$0	\$26,013	\$29,753	\$1,376,628
161	Land	\$0	\$722,441	\$0	\$0	\$0	\$0	\$0	\$0	\$722,441
162	Buildings	\$0	\$12,304,313	\$39,277	\$2,317	\$0	\$0	\$0	\$0	\$12,345,907
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$164,658	\$0	\$0	\$0	\$0	\$0	\$0	\$164,658
164	Furniture, Equipment & Machinery - Administration	\$0	\$384,949	\$67,666	\$0	\$63,792	\$0	\$0	\$9,545	\$525,952
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	(\$8,015,478)	(\$81,455)	(\$13)	(\$31,796)	\$0	\$0	(\$9,545)	(\$8,138,287)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$5,560,883	\$25,488	\$2,304	\$31,996	\$0	\$0	\$0	\$5,620,671
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$11,600	\$0	\$0	\$0	\$0	\$0	\$0	\$11,600
174	Other Assets	\$0	\$0	\$8	\$0	\$0	\$0	\$0	\$0	\$8
180	Total Non-Current Assets	\$0	\$5,572,483	\$25,496	\$2,304	\$31,996	\$0	\$0	\$0	\$5,632,279
190	Total Assets	\$4,836	\$6,240,866	\$476,007	\$18,876	\$212,556	\$0	\$26,013	\$29,753	\$7,008,907
312	Accounts Payable <= 90 Days	\$0	\$93,304	\$2,059	\$0	\$45,579	\$0	\$8,821	\$13,936	\$163,699
321	Accrued Wage/Payroll Taxes Payable	\$0	\$5,101	\$0	\$0	\$0	\$0	\$0	\$0	\$5,101
322	Accrued Compensated Absences - Current Portion	\$0	\$659	\$0	\$0	\$601	\$0	\$292	\$0	\$1,552
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$260,616	\$0	\$0	\$0	\$0	\$0	\$260,616
341	Tenant Security Deposits	\$0	\$20,819	\$0	\$0	\$0	\$0	\$0	\$0	\$20,819
342	Deferred Revenues	\$0	\$2,550	\$0	\$0	\$0	\$0	\$0	\$0	\$2,550

Erie Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program (FEMA)	Special Programs for the Aging Title III, Part B Grants for Supportive	Special Programs for the Aging Title III, Part C Nutrition Services	Total
345	Other Current Liabilities	\$0	\$5,242	\$24,027	\$0	\$0	\$0	\$0	\$0	\$29,269
347	Interprogram Due To	\$1,029	\$0	\$23,201	\$16,572	\$3,967	\$0	\$6,112	\$4,801	\$55,682
310	Total Current Liabilities	\$1,029	\$127,675	\$309,903	\$16,572	\$50,147	\$0	\$15,225	\$18,737	\$539,288
354	Accrued Compensated Absences - Non Current	\$1,133	\$45,078	\$43,046	\$0	\$6,907	\$0	\$10,788	\$11,016	\$117,968
353	Noncurrent Liabilities - Other	\$0	\$14,643	\$49,959	\$0	\$0	\$0	\$0	\$0	\$64,602
350	Total Noncurrent Liabilities	\$1,133	\$59,721	\$93,005	\$0	\$6,907	\$0	\$10,788	\$11,016	\$182,570
300	Total Liabilities	\$2,162	\$187,396	\$402,908	\$16,572	\$57,054	\$0	\$26,013	\$29,753	\$721,858
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$5,560,883	\$25,488	\$2,304	\$31,996	\$0	\$0	\$0	\$5,620,671
512.1	Unrestricted Net Assets	\$2,674	\$492,587	\$47,611	\$0	\$123,506	\$0	\$0	\$0	\$666,378
513	Total Equity/Net Assets	\$2,674	\$6,053,470	\$73,099	\$2,304	\$155,502	\$0	\$0	\$0	\$6,287,049
600	Total Liabilities and Equity/Net Assets	\$4,836	\$6,240,866	\$476,007	\$18,876	\$212,556	\$0	\$26,013	\$29,753	\$7,008,907
703	Net Tenant Rental Revenue	\$0	\$253,667	\$0	\$0	\$0	\$0	\$0	\$0	\$253,667
704	Tenant Revenue - Other	\$0	\$38,507	\$0	\$0	\$0	\$0	\$0	\$0	\$38,507
705	Total Tenant Revenue	\$0	\$292,174	\$0	\$0	\$0	\$0	\$0	\$0	\$292,174
706	HUD PHA Operating Grants	\$0	\$830,425	\$5,056,328	\$65,365	\$0	\$0	\$0	\$0	\$5,952,118
706.1	Capital Grants	\$0	\$0	\$0	\$302,660	\$0	\$0	\$0	\$0	\$302,660
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$1,485	\$51,708	\$150,995	\$204,188
711	Investment Income - Unrestricted	\$563	\$8,186	\$2,208	\$0	\$0	\$0	\$0	\$0	\$10,957

Erie Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program (FEMA)	Special Programs for the Aging Title III, Part B_Grants for Supportive	Special Programs for the Aging Title III, Part C_Nutrition Services	Total
714	Fraud Recovery	\$0	\$0	\$3,883	\$0	\$0	\$0	\$0	\$0	\$3,883
715	Other Revenue	\$10,440	\$101,076	\$10	\$0	\$398,667	\$0	\$213,975	\$213,355	\$937,523
720	Investment Income - Restricted	\$0	\$0	\$3,339	\$0	\$0	\$0	\$0	\$0	\$3,339
700	Total Revenue	\$11,003	\$1,231,861	\$5,065,768	\$368,025	\$398,667	\$1,485	\$265,683	\$364,350	\$7,706,842
911	Administrative Salaries	\$1,923	\$208,874	\$295,053	\$45,687	\$99,454	\$0	\$125,154	\$102,332	\$878,477
912	Auditing Fees	\$267	\$2,371	\$9,241	\$0	\$362	\$0	\$566	\$701	\$13,508
914	Compensated Absences	\$1,133	\$45,364	\$43,046	\$0	\$7,508	\$0	\$11,080	\$11,016	\$119,147
915	Employee Benefit Contributions - Administrative	\$726	\$72,765	\$93,304	\$9,305	\$20,241	\$0	\$46,936	\$37,914	\$281,191
916	Other Operating - Administrative	\$2,965	\$49,001	\$71,639	\$0	\$12,124	\$49	\$11,154	\$2,674	\$149,606
921	Tenant Services - Salaries	\$0	\$13,559	\$0	\$0	\$0	\$0	\$0	\$0	\$13,559
923	Employee Benefit Contributions - Tenant Services	\$0	\$5,333	\$0	\$0	\$0	\$0	\$0	\$0	\$5,333
924	Tenant Services - Other	\$0	\$16,782	\$0	\$0	\$0	\$0	\$0	\$0	\$16,782
931	Water	\$0	\$63,712	\$0	\$0	\$0	\$0	\$0	\$0	\$63,712
932	Electricity	\$0	\$102,473	\$0	\$0	\$0	\$0	\$0	\$0	\$102,473
933	Gas	\$0	\$119,724	\$0	\$0	\$0	\$0	\$0	\$0	\$119,724
941	Ordinary Maintenance and Operations - Labor	\$0	\$137,543	\$0	\$0	\$0	\$438	\$0	\$0	\$137,981
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$69,942	\$0	\$0	\$35,650	\$99	\$46,318	\$179,080	\$331,089
943	Ordinary Maintenance and Operations - Contract Costs	\$857	\$164,884	\$42,812	\$10,373	\$28,031	\$1,034	\$5,179	\$26,028	\$279,198
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$46,614	\$0	\$0	\$0	\$70	\$0	\$0	\$46,684
952	Protective Services - Other Contract Costs	\$0	\$36,153	\$0	\$0	\$0	\$0	\$0	\$0	\$36,153

Erie Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program (FEMA)	Special Programs for the Aging Title III, Part B Grants for Supportive	Special Programs for the Aging Title III, Part C Nutrition Services	Total
961	Insurance Premiums	\$0	\$78,326	\$40,233	\$0	\$2,324	\$0	\$19,296	\$521	\$140,700
962	Other General Expenses	\$26,800	\$664	\$3,940	\$0	\$202,679	\$0	\$0	\$0	\$234,083
964	Bad Debt - Tenant Rents	\$0	\$47,537	\$0	\$0	\$0	\$0	\$0	\$0	\$47,537
968	Severance Expense	\$0	\$267	\$2,402	\$0	\$0	\$0	\$0	\$3,851	\$6,520
969	Total Operating Expenses	\$34,671	\$1,281,888	\$601,670	\$65,365	\$408,373	\$1,690	\$265,683	\$364,117	\$3,023,457
970	Excess Operating Revenue over Operating Expenses	(\$23,668)	(\$50,027)	\$4,464,098	\$302,660	(\$9,706)	(\$205)	\$0	\$233	\$4,683,385
971	Extraordinary Maintenance	\$0	\$1,034	\$0	\$0	\$0	\$0	\$0	\$0	\$1,034
972	Casualty Losses - Non-Capitalized	\$0	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500
973	Housing Assistance Payments	\$0	\$0	\$4,542,661	\$0	\$0	\$0	\$0	\$0	\$4,542,661
974	Depreciation Expense	\$0	\$511,816	\$9,479	\$6,430	\$8,335	\$0	\$0	\$233	\$536,293
900	Total Expenses	\$34,671	\$1,797,238	\$5,153,810	\$71,795	\$416,708	\$1,690	\$265,683	\$364,350	\$8,105,945
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$0	\$205	\$0	\$0	\$205
1002	Operating Transfers Out	\$0	(\$205)	\$0	\$0	\$0	\$0	\$0	\$0	(\$205)
1010	Total Other Financing Sources (Uses)	\$0	(\$205)	\$0	\$0	\$0	\$205	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$23,668)	(\$565,582)	(\$88,042)	\$296,230	(\$18,041)	\$0	\$0	\$0	(\$399,103)
1103	Beginning Equity	\$26,342	\$5,973,187	\$161,141	\$327,998	\$173,543	\$0	\$0	\$0	\$6,662,211
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$645,865	\$0	(\$621,924)	\$0	\$0	\$0	\$0	\$23,941
	Ending Equity	\$2,674	\$6,053,470	\$73,099	\$2,304	\$155,502	\$0	\$0	\$0	\$6,287,049

Erie Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Other Federal Program (FEMA)	Special Programs for the Aging Title III, Part B Grants for Supportive	Special Programs for the Aging Title III, Part C Nutrition Services	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$5,363,841	\$0	\$0	\$0	\$0	\$0	\$5,363,841
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$355,379	\$0	\$0	\$0	\$0	\$0	\$355,379
1116	Total Annual Contributions Available	\$0	\$0	\$5,719,220	\$0	\$0	\$0	\$0	\$0	\$5,719,220
1120	Unit Months Available	0	2,640	12,084	0	0	0	0	0	14,724
1121	Number of Unit Months Leased	0	2,389	11,212	0	0	0	0	0	13,601

Erie Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2005

Capital Fund Program Number OH12P02850102

1. The Program Costs are as follows:

Funds Approved	\$440,889
Funds Expended	<u>440,889</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$440,889
Funds Expended	<u>440,889</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on September 27, 2004.
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, 2005

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	\$ 830,425
Housing Choice Voucher Program	14.871	5,056,328
Public Housing – Capital Fund Program	14.872	<u>368,025</u>
Total U.S. Department of Housing and Urban Development		<u>6,254,778</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	51,708
Special Programs for the Aging – Title III, Part C Nutrition Services	93.045	<u>150,995</u>
Total U.S. Department of Health and Human Services		<u>202,703</u>
U.S. Department of Homeland Security Pass-Through Program From: Ohio Emergency Management Agency		
Public Assistance Grant	97.036	<u>1,485</u>
Total U.S. Department of Homeland Security		<u>1,485</u>
Total Expenditure of Federal Award		<u><u>\$6,458,966</u></u>



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

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

Board of Directors
Erie Metropolitan Housing Authority

I have audited the financial statements of the business-type activities, and the aggregate discretely presented component unit of the Erie Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the Erie Metropolitan Housing Authority basic financial statements and have issued my report thereon dated January 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered 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 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I have noted other matters which I have reported to management of Erie Metropolitan Housing Authority, Ohio's in a separate letter dated January 27, 2006.

Compliance and Other Matters

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

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



Salvatore Consiglio, CPA, Inc.

January 27, 2006



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

**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

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, 2005. 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, 2005.

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 January 27, 2006.

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



Salvatore Consiglio, CPA, Inc.

January 27, 2006

Erie Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS
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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 # 14.850, 14.871 & 14.872 – Low Rent Public Housing, Housing Choice Voucher and Capital Fund Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended June 30, 2005.

3. FINDINGS RELATED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended June 30, 2005.

Erie Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2005

The June 30, 2004 audit report contained no audit findings.



**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
MAY 4, 2006**