

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO

FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

YEAR ENDED JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Board of Commissioners
Erie Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Erie Metropolitan Housing Authority, Erie County, prepared by Weber Obrien Ltd. for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 9, 2001

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO

TABLE OF CONTENTS

Independent Auditors' Report	1 – 2
Balance Sheet	3
Statement of Revenue and Expense	4
Statement of Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16
Schedule of Expenditures of Federal Awards	17
Schedule of Revenue and Expense by Program	18
Schedule of Units Under Management	19
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	20 – 21
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	22 – 23
Schedule of Findings and Questioned Costs	24
Summary Schedule of Prior Audit Findings	25



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of the Erie Metropolitan Housing Authority (Authority) as of June 30, 2000, and the related statements of revenue and expense, equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2000, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of the Erie Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards on page 16, which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the additional information on pages 17-18, which are presented for purposes of additional analysis, and are not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

Erie Metropolitan Housing Authority
October 20, 2000

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2000 on our consideration of the Authority's internal controls over financial reporting and on our 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 results of our audit.

Walter O'Brien, CPA

October 20, 2000

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
BALANCE SHEET
JUNE 30, 2000

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	858,152
Investments		930,830
Accounts Receivable		
Tenant Receivables - Net of \$59,000 Allowance		
For Doubtful Accounts		6,650
Other		61,020
Interest Receivable		20,761
Inventory		44,490
Prepaid Expenses		30,132
Total Current Assets		1,952,035
Restricted Investments		178,576
Note Receivable		30,600
Property and Equipment - Net of \$5,770,206		
Accumulated Depreciation		6,083,467
Other Assets		946
TOTAL ASSETS	\$	8,245,624

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	78,175
Intergovernmental Payable		53,097
Deferred Revenue		373,838
Accrued PERS		18,523
Security and Other Trust Deposits		204,776
Accrued Compensated Absences		53,286
Other Current Liabilities		17,601
TOTAL LIABILITIES		799,296

EQUITY

Contributed Capital		6,064,198
Retained Earnings		1,382,130
TOTAL EQUITY		7,446,328

TOTAL LIABILITIES & EQUITY	\$	8,245,624
----------------------------	----	-----------

"SEE INDEPENDENT AUDITORS' REPORT"

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

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2000

REVENUE

HUD Grants	\$ 4,773,266
Rental Income	301,836
Interest Income	78,379
Sale of Property	142,866
Other Grants	322,016
In-Kind	101,894
Project Income	195,384
Other Income	153,330
 TOTAL REVENUE	 <u>6,068,971</u>

EXPENSES (Before Depreciation)

HAP	3,475,989
Administrative Salaries	907,278
Program	290,756
Contract Services	271,422
Employee Benefits	255,401
Utilities	211,077
Material & Labor	151,397
Cost of Homes Sold	114,267
In-Kind	101,894
General	100,467
Insurance	58,178
Maintenance	57,024
Office	56,504
Rental	47,806
Travel	25,276
Professional Fees	16,279
 TOTAL EXPENSES (Before Depreciation)	 <u>6,141,015</u>

<u>INCOME BEFORE DEPRECIATION</u>	(72,044)
Depreciation	<u>458,376</u>
 <u>NET LOSS</u>	 <u>\$ (530,420)</u>

"SEE INDEPENDENT AUDITORS' REPORT"

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

ERIE METROPOLITAN HOUSING AUTHORITY
 SANDUSKY, OHIO
 STATEMENT OF EQUITY
 FOR THE YEAR ENDED JUNE 30, 2000

Retained Earnings - Beginning of Year:	
As Previously Reported	10,749,119
Prior Period Adjustment	<u>(9,394,838)</u>
As Restated	1,354,281
Net Loss	(530,420)
Transfer from contributed capital	<u>558,269</u>
Retained Earnings - End of Year	<u>1,382,130</u>
Contributed Capital - Beginning of Year:	
As Previously Reported	-0-
Prior Period Adjustment	<u>6,502,787</u>
As Restated	6,502,787
Net Change	<u>(438,589)</u>
Contributed Capital - End of Year	<u>6,064,198</u>
TOTAL EQUITY - END OF YEAR	<u><u>\$ 7,446,328</u></u>

"SEE INDEPENDENT AUDITORS' REPORT"

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

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2000

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Net Loss	(\$530,420)
Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities:	
Depreciation	458,376
Gain on Sale of Property and Equipment	(28,599)
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
Receivables	6,005
Inventory	(1,956)
Prepaid Expenses and Other Assets	(16,957)
Accounts Payable	287,222
Accrued Compensated Absences and Other Current Liabilities	9,538
Security and Other Trust Deposits	(38,154)
Total Adjustments	<u>675,475</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 145,055
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Property and Equipment	(120,757)
Proceeds from the Sale of Property and Equipment	142,866
Purchase of Investments	(38,056)
 NET CASH USED IN INVESTING ACTIVITIES	 (15,947)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
HUD Capital Contributions	<u>119,680</u>
 <u>INCREASE IN CASH AND CASH EQUIVALENTS</u>	 248,788
Cash and Cash Equivalents- Beginning of Year	<u>609,364</u>
 <u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	 <u>\$858,152</u>

“SEE INDEPENDENT AUDITORS’ REPORT”

“THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

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 Financial Accounting Standards Board 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.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Tenant Receivables – Recognition of Bad Debts

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year.

Inventory

Inventories and materials are stated at cost (first in, first out method) which approximates market.

Property and Equipment

Property and equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

Depreciation is recorded on the straight-line method.

Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

“SEE INDEPENDENT AUDITORS' REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Long-Term Debt

To provide for the development and modernization of low-rent housing units, EMHA issued New Housing Authority Bonds and Permanent Notes – F.F.B. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the Authority and accordingly have not been reported in the accompanying financial statements.

Restricted Investments

Restricted investments represent amounts held in the form of a trust or deposit for the tenants of the Authority. These assets are restricted by HUD and can be used only after receiving approval from HUD.

In-Kind Contributions

The Authority receives donated goods and services. The basis of valuation for goods received is the fair value of those goods determined by price lists, appraisals or by communication with the donor. Donated services are recorded using comparable local wage rates for services that would otherwise be performed by an employee.

These in-kind donations have been recorded as revenue and expense.

NOTE 2 – CASH AND INVESTMENTS

Cash

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

“SEE INDEPENDENT AUDITORS' REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 2 – CASH AND INVESTMENTS, Continued

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

The following show the Authority's deposits (bank balances) in each category:

- Category 1. \$100,000 was covered by federal depository insurance.
- Category 3. \$963,504 was covered by collateral held by the pledging
Financial institution, but not in the name of the Authority.

Collateral is required for demand deposits and certificates of deposit at 110 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

“SEE INDEPENDENT AUDITORS’ REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 2 – CASH AND INVESTMENTS, Continued

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. Star Ohio is not classified, since it is not evidenced by securities that exist in physical or book entry form.

The Authority's investments are all Category A and consist of the following:

<u>INVESTMENT</u>	<u>CATEGORY A</u>	<u>CARRYING AMOUNT</u>
Cash – Money Market		\$ 13,896
Interest Bearing Cash Deposits		178,575
Certificates of Deposit		<u>916,935</u>
Total Investments (including restricted)		<u>\$1,109,406</u>

“SEE INDEPENDENT AUDITORS’ REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2000, by class is as follows:

Buildings and Building Improvements	\$10,387,708
Construction in Progress	250,037
Land	726,381
Dwelling Equipment	40,712
Furniture and Fixtures, Equipment and Moving Vehicles	<u>448,835</u>
Total	11,853,673
Less Accumulated Depreciation	(<u>5,770,206</u>)
Net Property and Equipment	<u>\$ 6,083,467</u>

NOTE 4 - ADMINISTRATIVE FEE

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rates are as follows:

A. Certificates, Vouchers and Moderate Rehabilitation:

Certificates - \$36.68 to 39.30 per Unit
Voucher - \$36.68 to 39.30 per Unit
Moderate Rehabilitation - \$36.68 to 39.30 per Unit

B. New Construction

Milan Road 40 units – Fee \$20 per month
Waldock 30 units – Fee \$27 per month
Community Plaza 29 units – Fee \$8.70 per month

NOTE 5 - ALLOCATION OF COSTS

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

“SEE INDEPENDENT AUDITORS’ REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 1999 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to P.E.R.S. for the years ending June 30, 2000, 1999, and 1998 were \$138,100, \$129,300 and \$130,300, respectively. All required contributions were made prior to each of those fiscal year ends.

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1999.

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

PERS expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was \$118,062.

Effective January 1, 1998, the Retirement Board adopted a new calculation method for determining employer contributions, equal to 4.2% of member covered payroll, to fund

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS, Continued

health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

The Authority may participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan Agreement states that the Authority and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 7 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by personnel policy for the employees of the Authority.

The policy provides for twelve days of paid vacation after one year of service, with an additional three days for every five years of service thereafter, to a maximum of 21 days per year. Vacation time may be accumulated, not to exceed 29 working days. Any excess will be forfeited at the end of the fiscal year in which it is accumulated.

Sick leave pay accumulates at the rate of ten hours per month. The Authority allows the payment upon retirement for accumulated sick leave after ten or more years of service. One fourth of the accumulated sick leave not to exceed 30 days will be paid out at retirement.

At June 30, 2000, \$53,286 of vested vacation and sick leave was accrued by the Authority. Nonvested amounts have not been accrued as the amounts are not material to the financial statements.

NOTE 8 - CHANGE IN BASIS OF ACCOUNTING

Effective July 1, 1999, the Authority adopted the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) as required by HUD. Equity as of July 1, 1999 has been reduced by \$2,892,051 to retroactively reflect this change in accounting. The adjustment is made up of a reduction of \$9,394,838 to beginning retained earnings and an increase of \$6,502,787 to beginning contributed capital.

“SEE INDEPENDENT AUDITORS’ REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 8 - CHANGE IN BASIS OF ACCOUNTING, Continued

The prior period adjustment of \$9,394,838 reducing retained earnings is made up of the following amounts:

Reduce Recorded Value of Fixed Assets to GAAP	
Capitalized Costs	(\$3,938,580)
Record Accumulated Depreciation as of July 1, 1998	(5,396,956)
Other	(<u>59,302</u>)
Total	(<u>\$9,394,838</u>)

The prior period adjustment of \$6,502,787 increasing contributed capital is made up of the following amounts:

Record Beginning Contributed Capital on Property and Equipment	\$2,037,818
Remove HUD Direct and Guaranteed Debt	<u>4,464,969</u>
Total	<u>\$6,502,787</u>

NOTE 9 - INSURANCE

The Housing 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.

NOTE 10 - CONTINGENCIES

Program Audit

In June of 2000, the United States Department of Housing and Urban Development (HUD) performed a program audit of the Authority's Section 8 program. The grant awarded by HUD to the Authority for the year ended June 30, 2000 was approximately \$3,883,000. HUD issued its program audit report dated September 30, 2000 requiring the Authority to submit a plan of correction to the various findings in the report. Included in the report was a finding that the Authority had over reported units leased which resulted in being awarded a greater administrative fee than was earned. The Authority

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
YEAR ENDED JUNE 30, 2000

NOTE 10 – CONTINGENCIES, Continued

will be required to pay back approximately \$40,000 in unearned administrative fees, which amount has been accrued in the accompanying June 30, 2000 financial statements. Management of the Authority has submitted its response and believes that its plan of corrective action appropriately addresses all of the findings proposed by HUD. However, there is no assurance as to the ultimate outcome of this matter until HUD makes its final determination.

Grants

In addition to the Section 8 grants discussed under the Program Audit above, the Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at June 30, 2000.

NOTE 11 – CONTRIBUTED CAPITAL

The reduction in contributed capital of \$438,589 for fiscal 2000 consists of the following:

Assets Acquired Using HUD Grants	\$119,680
Transfer to Retained Earnings:	
Net Book Value of Asset Disposals	(114,297)
Depreciation on Property and Equipment	(443,972)
Net Change	<u>(\$438,589)</u>

“SEE INDEPENDENT AUDITORS’ REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Expenditures for Year Ended June 30, 2000</u>
U.S. Department of Housing & Urban Development					
Direct Programs:					
Low Income Public Housing Assistance:					
PHA Owned Rental Housing	14.850	C-5008	6/30/00	\$ 631,513	\$ 481,941
Comprehensive Grant Program	14.852	C-5008	6/30/00	<u>250,015</u>	<u>250,015</u>
Total Low Income Housing Assistance				881,528	731,956
Housing Assistance Payments:					
Section 8 – Existing	14.857	C-10008	6/30/00	1,291,781	1,291,781
Section 8 - Vouchers	14.855	C-10008	6/30/00	<u>2,591,046</u>	<u>2,591,046</u>
Total Housing Assistance Payment Support				<u>3,882,827</u>	<u>3,882,827</u>
Total U.S. Department of Housing & Urban Development				4,764,355	4,614,783
U.S. Department of Health & Human Services					
<i>(Passed through Area Office on Aging of Northwestern Ohio, Inc.)</i>					
Title III-B Grants for:					
Supportive Services – Senior Centers	93.044		6/30/00	<u>47,310</u>	<u>47,310</u>
Total Title III-B				47,310	47,310
Title III-C Nutrition Services	93.045		6/30/00	<u>135,790</u>	<u>135,790</u>
Total U.S. Department of Health & Human Services				<u>183,100</u>	<u>183,100</u>
Total				<u>\$4,947,455</u>	<u>\$4,797,883</u>

Note: This schedule has been prepared on the accrual basis of accounting.

“SEE INDEPENDENT AUDITORS’ REPORT”

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
YEAR ENDED JUNE 30, 2000

	Public Housing	Modernization	Section 8	Senior Center	Total
REVENUE					
Rental Income	\$ 300,269	\$ -	\$ 1,567	\$ -	\$ 301,836
Interest Income	42,760	-	25,899	9,720	78,379
Other Income	19,072	-	61,039	73,219	153,330
HUD Grants	625,384	135,574	3,841,312	170,996	4,773,266
Sale of Property	142,866	-	-	-	142,866
Other Grants	-	-	-	322,016	322,016
In-Kind	-	-	-	101,894	101,894
Project Income	-	-	-	195,384	195,384
TOTAL REVENUE	1,130,351	135,574	3,929,817	873,229	6,068,971
EXPENSES					
HAP	-	-	3,475,989	-	3,475,989
Administrative Salaries	231,237	84,304	322,073	269,664	907,278
Program	-	-	-	290,756	290,756
Contract Services	183,484	26,906	39,295	21,737	271,422
Employee Benefits	83,459	19,672	82,166	70,104	255,401
Utilities	205,081	-	956	5,040	211,077
Material & Labor	151,397	-	-	-	151,397
Cost of Homes Sold	114,267	-	-	-	114,267
In-Kind	-	-	-	101,894	101,894
General	29,985	-	25,013	45,469	100,467
Insurance	38,799	-	11,678	7,701	58,178
Maintenance	36,438	-	10,719	9,867	57,024
Office	2,049	4,692	7,213	42,550	56,504
Rental	-	-	-	47,806	47,806
Travel	9,040	-	14,409	1,827	25,276
Professional Fees	3,560	-	12,719	-	16,279
TOTAL EXPENSES	1,088,796	135,574	4,002,230	914,415	6,141,015
INCOME BEFORE DEPRECIATION	41,555	-	(72,413)	(41,186)	(72,044)
Depreciation	439,202	-	4,770	14,404	458,376
LOSS	\$ (397,647)	\$ -	\$ (77,183)	\$ (55,590)	\$ (530,420)

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SCHEDULE OF UNITS UNDER MANAGEMENT
YEAR ENDED JUNE 30, 2000

The PHA had 1,376 units under management.

<u>Management</u>	<u>Units</u>
PHA Owned Housing	274
Certificates	123
Voucher	880
New Construction	
OH12-S911006	29
OH16-0012045	40
OH16-0010054	30

“SEE INDEPENDENT AUDITORS’ REPORT”



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

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

We have audited the financial statements of Erie Metropolitan Housing Authority as of and for the year ended June 30, 2000, and have issued our report thereon dated October 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Erie Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the

"SEE INDEPENDENT AUDITORS' REPORT"

Erie Metropolitan Housing Authority
Page Two

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Erie Metropolitan Housing Authority in a separate letter dated October 20, 2000.

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

Webster D. Brown, CPA

October 20, 2000

"SEE INDEPENDENT AUDITORS' REPORT"



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

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

Compliance

We have audited the compliance of Erie Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. Erie Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Erie Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Erie Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Erie Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

"SEE INDEPENDENT AUDITORS' REPORT"

Internal Control Over Compliance

The management of Erie Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Erie Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Erie Metropolitan Housing Authority in a separate letter dated October 20, 2000.

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

Webster O'Brien, LTD.

October 20, 2000

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2000

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
---	--	--------------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	___X___no
---	----------	-----------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.857	Housing Assistance Program - Certificates
14.855	Housing Assistance Program - Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low risk auditee?	___X___yes	_____no
--	------------	---------

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

"SEE INDEPENDENT AUDITORS' REPORT"

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2000

NONE

“SEE INDEPENDENT AUDITORS’ REPORT”



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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
JANUARY 25, 2001**