

**ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO**

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED JUNE 30, 2001**

J. E. Slaybaugh & Associates, Inc.
Certified Public Accountant
12 East Main Street
Lexington, Ohio 44904



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Erie Metropolitan Housing Authority
Sandusky, Ohio

We have reviewed the Independent Auditor's Report of Erie Metropolitan Housing Authority, Erie County, prepared by J. E. Slaybaugh & Associates, Inc., for the audit period July 1, 2000 to June 30, 2001. 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 31, 2002

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ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO

FOR THE YEAR ENDED JUNE 30, 2001

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*12 East Main Street
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Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Erie Metropolitan Housing Authority
Sandusky, Ohio

We have audited the accompanying balance sheet of the Erie Metropolitan Housing Authority, Sandusky, Ohio, as of and for the year ended June 30, 2001, and the related statements of revenues, expenses, 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 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 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 Erie Metropolitan Housing Authority as of June 30, 2001, and the results of its operations and the 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*, we have also issued a report dated December 7, 2001, on our consideration of Erie Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial data schedules accompanying the financial statements are not necessary for fair presentation of the financial position, results of operations, and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America. The supplemental schedules listed in the table of contents are presented only for purposes of additional analysis and are not a required part of the financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
December 7, 2001

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2001

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 892,213
Investments-Unrestricted	777,021
Tenant Accounts Receivable- Net of \$ 601 Doubtful Accounts	4,695
Accounts Receivable - HUD	41,750
Accounts Receivable - Other Governments	37,777
Accounts Receivable - Fraud - Net of \$ 54,242 Doubtful Accounts	3,036
Accounts Receivable-Other	140,781
Accrued Interest Receivable	21,867
Interprogram Due From	34,895
Notes and Mortgages Receivable	30,600
Prepaid Expenses	30,485
Inventory - Net of \$ 2,084 Allowance for Obsolete	<u>48,949</u>
 Total Current Assets	 2,064,069
 Restricted Investments	 111,651
Property and Equipment - Net of \$ 6,170,491 Accumulated Depreciation	6,124,949
Other Assets	<u>4,372</u>
 Total Assets	 <u>\$ 8,305,041</u>

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable - Vendors	\$ 244,439
Accounts Payable - HUD	38,282
Accounts Payable- Other Governments	8,357
Interprogram Due To	34,895
Tenant Security Deposits	25,750
Accrued Wages and Payroll Taxes	4,498
Accrued Compensated Absences	55,864
Deferred Revenues	399,886
Other Current Liabilities	27,063
Accrued Liabilities - Other	<u>99,743</u>
 Total Current Liabilities	 938,777
 <u>Equity</u>	
Contributed Capital	6,124,949
Retained Earnings	<u>1,241,315</u>
 Total Equity	 <u>7,366,264</u>
 Total Liabilities and Equity	 <u>\$ 8,305,041</u>

The accompanying notes are an integral part of these financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001

<u>Revenue</u>	
HUD Grants	\$ 5,543,087
Other Government Grants	172,656
Rental Income	330,747
Investment Income-Unrestricted	86,031
Investment Income-Restricted	2,067
Fraud Recovery	2,556
Other Revenue	821,088
Loss on Sale of Fixed Assets	<u>(1,749)</u>
 Total Revenue	 6,956,483
<u>Expenses (before depreciation)</u>	
Housing Assistance Payments	3,901,391
Administrative Salaries	860,603
Employee Benefits	240,558
Other Administrative Expense	200,988
Tenant Services - Salaries	15,854
Tenant Services - Other	1,223
Material and Labor-Maintenance	586,469
Contract Services	459,057
Utilities	234,743
General Expenses	98,965
Payments in Lieu of Taxes	8,357
Severance Expense	27,578
Bad Debt- Tenant Rents	<u>4,419</u>
 Total Expenses	 6,640,205
 Income (Loss) before Depreciation & Other Costs	 316,278
Depreciation	476,704
Extraordinary Maintenance	<u>47,154</u>
 Operating Income (Loss)	 (207,580)
 Retained Earnings - Beginning of Year	 1,400,873
Equity adjustments, corrections	<u>48,022</u>
Retained Earnings - End of Year	<u>1,241,315</u>
 Contributed Capital - Beginning of Year	 6,085,456
Contributed Capital	<u>39,493</u>
Contributed Capital - End of Year	<u>6,124,949</u>
 Total Equity - End of Year	 <u>\$ 7,366,264</u>

The accompanying notes are an integral part of these financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

<u>Cash Flows from Operating Activities</u>	
Operating Income (Loss)	\$ (207,580)
Adjustments to reconcile Operating Income(Loss) to Net Cash	
Provided By Operating Activities:	
Depreciation	476,704
Prior Year HUD adjustment, corrections	48,022
Changes in Operating Assets and Liabilities that	
Increase (Decrease) Cash Flows:	
Tenant Accounts Receivable- Net	(1,841)
Accounts Receivable- Fraud -Net	372
Accounts Receivable- HUD	(24,602)
Accrued Interest Receivable	(1,106)
Accounts Receivable - Other Government	(37,777)
Accounts Receivable - Other	(79,426)
Prepaid Expenses	647
Inventory - Net	(4,460)
Interprogram Due From	(7,952)
Other Assets	(4,372)
Accounts Payable- Vendor	158,191
Accounts Payable-HUD	8,036
Accounts Payable- Other Government	(1,162)
Interprogram Due To	7,952
Accrued Wages & Taxes Payable	9
Accrued Compensated Absences	2,578
Tenant Security Deposits	(150)
Deferred Revenues	396,418
Other Current Liabilities	(400,188)
Accrued Liabilities - Other	(36,293)
Loss on Disposal of Assets	(1,749)
Total Adjustments	<u>497,851</u>
Net Cash Provided By Operating Activities	<u>290,271</u>
<u>Cash Flows from Investing Activities</u>	
Change in Property and Equipment	(516,438)
Change in Investments	<u>220,733</u>
Net Cash Used By Investing Activities	<u>(295,705)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Contributed Capital	<u>39,493</u>
Net Cash Provided by Capital and Related Financing Activities	<u>39,493</u>
Increase (Decrease) In Cash and Cash Equivalents	34,059
Cash and Cash Equivalents - Beginning of Year	<u>858,154</u>
Cash and Cash Equivalents - End of Year	<u>\$ 892,213</u>

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, 2001

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 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 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 combined 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.

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 expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Tenant Receivables - Recognition of Bad Debts

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

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.

Useful Lives	
Buildings	40 Years
Land & Building Improvements	15 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method.

Capitalization of Interest

The Authority's policy is not to capitalize interest in the construction or purchase of fixed assets.

Investments

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

Restricted Investments

Restricted investments represent amounts received from debt refinancing. These assets are restricted by HUD and can be used only after receiving approval from HUD.

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 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.

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS (continued)

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.

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 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 . . .	\$ 400,000	was covered by federal depository insurance.
Category 2 . . .	\$ 1,436,500	was covered by specific collateral pledged by the financial institution in the name of the Authority.

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 conformation of transfer from the custodian.

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

NOTE 2 - CASH AND INVESTMENTS, Continued

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.

The Authority'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 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2001, by class is as follows:

Land	\$ 726,381
Buildings and Building Improvements	11,019,418
Furniture, Equipment- Dwelling	43,582
Furniture, Equipment- Administrative	<u>506,059</u>
Total	12,295,440
Less Accumulated Depreciation	<u>(6,170,491)</u>
Net Property and Equipment	<u>\$ 6,124,949</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

Units per month x \$ 36.68 /unit - July to Sept
Units per month x \$ 38.17 /unit - October to June

B. Vouchers

Units per month x \$ 39.30 /unit - July to Sept
Units per month x \$ 40.90 /unit - Oct to June

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

NOTE 5 - 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, death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by the 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 E. 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 2001 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 PERS for the years ending June 30 were as follows:

	Contribution	%
6/30/01	\$ 106,997	10.85%
6/30/00	\$ 138,100	13.55%
6/30/99	\$ 129,300	13.55%

All required contributions were made prior to each of those fiscal year ends. PERS 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 employee and employer contributions. The 2001 employer contribution rate for state employers was 10.84 % of covered payroll: 4.3 % was the portion that was used to fund health care for the year, under the new calculation methodology effective January 1, 1998. Under the prior method, which was actuarially based, accrued liabilities and normal cost rates were computed to determine the amount of employer contributions necessary to fund OPEB. OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely. The number of benefit recipients eligible for OPEB at June 30, 2001, was 401,339.

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

NOTE 6 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

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, 2001, \$ 55,864 was accrued by the Authority for unused vacation and sick time.

NOTE 7 - 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. There was no significant reduction in coverages and no settlements exceeded insurance coverage during the past three years.

NOTE 8 - CONTINGENCIES

Grants

The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 to have a material adverse effect on the overall financial position of the Authority at March 31, 2001.

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At June 30, 2001 the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures For The Year Ended</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Low Rent Public Housing	14.850	\$ 613,340
Public Housing- Comprehensive Grant Program	14.859	<u>370,141</u>
Capital Fund Program	14.872	<u>147,210</u>
 Section 8 Tenant Based Cluster:		
Section 8 Rental Certificate Program	14.857	322,769
Section 8 Rental Voucher Program	14.855	<u>4,089,627</u>
Sub-Total		<u>4,412,396</u>
Programs for the Aging -B		58,343
Programs for the Aging -C		<u>114,313</u>
		<u>172,656</u>
Total Federal Assistance		<u>\$ 5,715,743</u>

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

See Independent Auditors' Report

ERIE METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedule
Balance Sheet
As of June 30, 2001

	Low Rent Public Housing Program	Capital Fund Program	Comp Grant Program	Section 8 Rental Certificates Program	Section 8 Rental Vouchers Program	Component Units	Business Activities	Programs for the Aging-B	Programs for the Aging -C	TOTAL
ASSETS										
Current Assets										
Cash-unrestricted	\$ 2,931			\$ 301,582	\$ 413,589	\$ 68,521	\$ 15,880	\$ 6,325	\$ 56,318	\$ 858,821
Cash-other restricted	27,067									33,392
Total cash	29,998	-	-	301,582	413,589	68,521	15,880	6,325	56,318	892,213
Accounts and notes receivables										
Accounts receivable-PHA projects	30,223	11,527								41,750
Accounts receivable-other governments					325	134,694	800	4,697	33,080	37,777
Accounts receivable-miscellaneous	815								4,147	140,781
Accounts receivable-tenants-rent	5,296									5,296
Allowance for doubtful accounts-rent	(601)									(601)
Notes and mortgages receivables	30,600									30,600
Fraud recovery										57,278
Allowance for doubtful accounts-fraud										(54,242)
Accrued interest receivable	20,584					1,283				21,867
Total receivables, net of allowances for uncollectibles	86,917	11,527	-	2,718	643	135,977	800	4,697	37,227	280,506
Current Investments										
Investments-Unrestricted	723,058					63,963				777,021
Investments-restricted	11,908				99,743					111,651
Prepaid expenses and other assets	30,485									30,485
Inventories	34,137			287	3,538	5,731	378		6,962	51,033
Allowance for obsolete inventories	(2,084)									(2,084)
Interprogram-due from	34,895									34,895
Total investments	832,399	-	-	287	103,281	59,694	378	-	6,962	1,003,001
Total current assets	949,314	11,527		304,587	517,513	264,192	17,058	11,022	100,507	2,175,720

See Independent Auditors' Report

ERIE METROPOLITAN HOUSING AUTHORITY
 Supplemental Financial Data Schedule
 Balance Sheet
 As of June 30, 2001

	Low Rent	Capital	Comp	Section 8	Section 8	Component	Business	Programs	Programs	TOTAL
	Public	Fund	Grant	Rental	Rental	Units	Activities	for the	for the	
	Housing	Program	Program	Certificates	Vouchers			Aging-B	Aging -C	
	Program	Program	Program	Program	Program			Program	Program	
	14,850	14,872	14,859	14,857	14,855			93,044	93,045	
Noncurrent assets										
Land	726,381									726,381
Buildings	10,336,286	66,539	577,316	39,277						11,019,418
Furniture, equip and mach-dwelling	40,712	2,870								43,582
Furniture, equip and mach-admin.	343,734									343,734
Accumulated depreciation	(5,974,694)	(1,033)	(46,293)	(40,307)	(1,959)	104,425	4,771	12,589	(10,217)	506,059
Total fixed assets, net of accum. Deprec.	5,472,419	68,376	531,023	30,415	7,136	13,208	-	-	2,372	6,124,949
Other noncurrent assets										
Other assets	4,192				180					4,372
Total noncurrent assets	5,476,611	68,376	531,023	30,415	7,316	13,208	-	-	2,372	6,129,321
Total assets	\$ 6,425,925	\$ 79,903	\$ 531,023	\$ 335,002	\$ 524,829	\$ 277,400	\$ 17,058	\$ 11,022	\$ 102,879	\$ 8,305,041

See Independent Auditors' Report

ERIE METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedule
Balance Sheet
As of June 30, 2001

	Low Rent	Capital Fund Program	Comp Grant Program	Section 8 Rental Certificates Program	Section 8 Rental Vouchers Program	Component Units	Business Activities	Programs for the Aging-B	Programs for the Aging-C	
LIABILITIES AND EQUITY										TOTAL
Current liabilities										
Accounts payable < 90 days	\$ 139,399				\$ 2,520	\$ 1,909		\$ 6,875	\$ 93,736	\$ 244,439
Accrued wages/payroll taxes payable	4,498									4,498
Accrued vacation pay	20,080			1,187	14,916	6,455	2,747	2,956	7,523	55,864
Accounts payable-HUD PHA Program				24,603	13,679					38,282
Accounts payable-other government	8,357									8,357
Tenant Security Deposits	25,750			2,718	396,882					25,750
Deferred Revenues	286			5,207	4,212					399,886
Other current liabilities	17,644									17,644
Accrued liabilities-other					99,743					99,743
Interprogram due to		11,527		1,079	15,187	3,669	622	1,191	1,620	34,896
Total current liabilities	216,014	11,527	-	34,794	547,139	12,033	3,369	11,022	102,879	938,777
Total Liabilities	216,014	11,527	-	34,794	547,139	12,033	3,369	11,022	102,879	938,777
Equity										
Net HUD PHA contributions	5,466,128	68,376	531,023	30,415	7,136					6,103,078
Other HUD contributions	6,291									6,291
Other contributions						13,208			2,372	15,580
Undesignated fund balance/retained earnings	737,492			269,793	(29,446)	252,159	13,689		(2,372)	1,241,315
Total equity	6,209,911	68,376	531,023	300,208	(22,310)	265,367	13,689			7,366,264
Total liabilities & equity	\$ 6,425,925	\$ 79,903	\$ 531,023	\$ 335,002	\$ 524,829	\$ 277,400	\$ 17,058	\$ 11,022	\$ 102,879	\$ 8,305,041

See Independent Auditors' Report

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2001

	Low rent Public Housing Program	Section 8				Component Units	Business Activities	Programs for the Aging-B	Programs for the Aging-C	Total
		Capital Fund Program	Rental Certificates Program	Rental Voucher Program	Rental Program					
REVENUE										
HUD Grants	14,850	14,859	14,872	14,857	14,855		93,044	93,045	\$ 5,543,087	
Other Government Grants	\$ 613,340	\$ 370,141	\$ 147,210	\$ 322,769	\$ 4,089,627		58,343	114,313	172,656	
Rental income	330,747								330,747	
Investment Income-Unrestricted	55,753			16,333	4,231	6,662	318	1,940	86,031	
Investment Income-Restricted	1			443	1,623				2,067	
Fraud Recovery				1,279	1,277				2,556	
Other Revenue	17,484			2,309	648	491,243	27,858	222,148	821,088	
Loss on Sale of Fixed Assets	(1,749)								(1,749)	
Total Revenue	1,015,576	370,141	147,210	343,133	4,097,406	497,905	86,519	338,401	6,956,483	
EXPENSES										
Housing Assistance Payments				284,202	3,617,189				3,901,391	
Administrative Salaries	186,027	33,075	42,280	12,577	262,930	133,264	48,733	115,225	860,603	
Employee Benefits	75,073	6,472	9,934	4,837	66,070	28,127	12,674	31,295	240,558	
Other Administrative Expense	60,249	271	5,002	8,717	95,830	16,075	3,995	2,703	200,988	
Tenant Services-Salaries	15,854								15,854	
Tenant Services-Other	1,223								1,223	
Material and Labor-Maintenance	196,351					205,910	16,392	163,806	586,469	
Contract Services	307,182	3,045	20,584	4,795	55,299	27,686	6,458	24,485	459,057	
Utilities	234,003						740		234,743	
General Expenses	41,716			965	15,571	39,026		1,492	98,965	
Payments in Lieu of Taxes	8,357								8,357	
Severance Expense	2,317			1,451	22,518	55	61	256	27,578	
Bad Debt- Tenant Rents	4,419								4,419	
Total Expenses	1,132,771	42,863	77,800	317,544	4,135,407	450,143	88,313	339,262	6,640,205	
Income (Loss) before	(117,195)	327,278	69,410	25,589	(38,001)	47,762	(1,794)	(861)	316,278	
Depreciation & Other Costs	431,601	27,320	1,034	4,080	28	10,470	1,157	1,014	476,704	
Depreciation	47,154								47,154	
Extraordinary Maintenance										
Operating Income (Loss)	\$ (595,950)	\$ 299,958	\$ 68,376	\$ 21,509	\$ (38,029)	\$ 37,292	\$ (1,794)	\$ (1,875)	\$ (207,580)	

See Independent Auditors' Report

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO

ACTUAL MODERNIZATION COST CERTIFICATION

At June 30, 2001

1. The Actual Modernization Grant Costs are as follows:

	Project <u>OH12-706-98</u>
Funds Approved	\$ 387,351
Funds Expended	<u>387,351</u>
Excess (Deficiency) of Funds Approved	\$ <u> -</u>
Funds Advanced	\$ 387,351
Funds Expended	<u>387,351</u>
Excess (Deficiency) of Funds Advanced	\$ <u> -</u>

2. The Distribution of Costs as shown on the Schedule/Report of Modernization Grant Expenditures submitted to HUD for approval are in agreement with the Authority's records.

3. All Modernization Grant Costs have been paid and all related liabilities have been discharged through payment

See Independent Auditors' Report

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J. E. Slaybaugh & Associates, Inc.

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*Member AICPA
Member OSCP*

*John E. Slaybaugh III
Certified Public Accountant*

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

Board of Commissioners
Erie Metropolitan Housing Authority
Sandusky, Ohio

We have audited the financial statements of Erie Metropolitan Housing Authority, Sandusky, Ohio, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. We conducted our 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.

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 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 a material weaknesses.

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.

December 7, 2001

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
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*John E. Slaybaugh III
Certified Public Accountant*

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

Board of Commissioners
Erie Metropolitan Housing Authority
Sandusky, Ohio

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, 2001. Erie Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of the 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 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* and the provisions of the *Public and Indian Housing Compliance Supplement*, PIH Notice 97-30. 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.

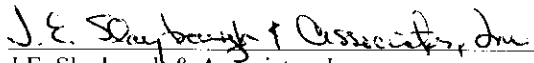
In our opinion, Erie Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

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 the 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.

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



J.E. Slaybaugh & Associates, Inc.

December 7, 2001

ERIE METROPOLITAN HOUSING AUTHORITY
SANDUSKY, OHIO

SCHEDULE OF FINDINGS

JUNE 30, 2001

PART I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor has issued an unqualified opinion on the financial statements of Erie Metropolitan Housing Authority.
2. There were no reportable conditions in internal control disclosed by the audit of the financial statements.
3. There was no noncompliance material to the financial statements disclosed by the audit.
4. There were no reportable conditions in the internal control over major programs disclosed by the audit.
5. The auditor has issued an unqualified opinion on compliance for major programs for Erie Metropolitan Housing Authority.
6. The audit disclosed no audit findings.
7. The major programs are:
 - Low Rent Public Housing Program
 - Cluster- Tenant Based Section 8 Programs
 - Comprehensive Grant Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
9. The auditor determined that Erie Metropolitan Housing Authority qualified as a low-risk auditee.

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED
TO BE REPORTED IN ACCORDANCE WITH *GAGAS*

1. None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS

1. None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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ERIE METROPOLITAN HOUSING AUTHORITY

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2002**