

**ERIE METROPOLITAN  
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Erie Metropolitan Housing Authority, Erie County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 2, 2015

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**ERIE METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Erie Metropolitan Housing Authority  
Sandusky, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on the Financial Statements**

We have audited the accompanying financial statements of the of the Erie Metropolitan Housing Authority, Ohio ( the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***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, Ohio, as of June 30, 2014, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Erie Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Costs - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.



## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Erie Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**James G. Zupka,**  
**CPA, President**

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.12.23 09:51:37 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2014

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

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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 (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

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

**FINANCIAL HIGHLIGHTS**

- The Authority's authority-wide statements reflect a decrease in total net position of \$978,278 (or 17.2 percent) during 2014. Net position was \$4.709 million and \$5.687 million for 2014 and 2013 respectively.
- The business-type activity revenue decreased by \$425,330 (or 5.24 percent) during 2014, and was \$7.690 million and \$8.116 million for 2014 and 2013 respectively.
- The total expenses of all Authority programs increased by \$41,922 (or 0.05 percent). Total expenses were \$8.668 million and \$8.627 million for 2014 and 2013 respectively.

***Authority-Wide Financial Statements***

The Authority-wide 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 Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", 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 Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

Net Investment in Capital Assets: This component of net position 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.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

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*Authority-Wide Financial Statements* (Continued)

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

Unrestricted Net Position: Consists of net position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (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 grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", 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**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. 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.

The Department of Housing and Urban Development requires the funds maintained by the Authority.

**THE AUTHORITY'S PROGRAMS**

*Business-Type Activities*

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

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*Business-type Activities* (Continued)

The Authority converted to asset management starting July 1, 2007 and has separated its' properties into two asset management projects - AMP #1 consists of all scattered sites and AMP #2 consists of all units at the Bayshore Towers. The Authority tracks income and expenses at the AMP level for better management and control.

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's Public Housing physical and management improvements. Funds are provided by formula allocation and based on size and age of the Authority's Public Housing units.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30 percent, and the Authority subsidizes the balance.

Central Office Cost Center - As part of the conversion to asset management, the Authority has established a central office cost center (COCC) fund by fees charged to the individual AMPs. Salaries and benefits of administrative personnel and charged to the COCC as are other administrative-related expenses. The profit remaining in the COCC is deprogrammed and is available for any housing use. As part of the conversion to asset management, the management fees received from the Erie Community Plaza, Inc. (a 202 PRAC project) and the Sandusky Metropolitan Housing Authority are now reported under the Central Office Cost Center.

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.

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 and 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.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

*Business-type Activities* (Continued)

State and Local Grants - Represents resources derived from local grants for training and protective services at both the Bayshore Towers and the Erie County Senior Center.

**AUTHORITY-WIDE STATEMENTS**

*Statement of Net Position*

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

**Table 1 - Statement of Net Position**

	2014	2013
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,026,446	\$ 1,743,396
Capital and Other Assets	4,888,735	5,163,013
<b>Total Assets</b>	<b><u>\$ 5,915,181</u></b>	<b><u>\$ 6,906,409</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 272,452	\$ 299,125
Non-Current Liabilities	933,317	919,594
<b>Total Liabilities</b>	<b><u>1,205,769</u></b>	<b><u>1,218,719</u></b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	4,033,940	4,261,695
Restricted	104,896	545,448
Unrestricted	570,576	880,547
<b>Total Net Position</b>	<b><u>4,709,412</u></b>	<b><u>5,687,690</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 5,915,181</u></b>	<b><u>\$ 6,906,409</u></b>

For more detail information, see Statement of Net Position presented on page 11.

**Major Factors Affecting the Statement of Net Position:**

Current assets decreased by \$716,950 and total liabilities decreased by \$12,950. The decrease in current assets was primarily due to the result of current year activities. The decrease in current liabilities is due to a decrease in compensated absences and accrued expenses.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

**Table 2- Change of Unrestricted Net Position**

Unrestricted Net Position, June 30, 2013	\$ 880,547
Results of Operations	(978,278)
Adjustments:	
Depreciation (1)	543,436
Capital Asset Disposals	4,850
Capital Expenditures	(274,008)
Debt Principal Payments	(46,523)
Transfers from Restricted Net Position	<u>440,552</u>
Unrestricted Net Position, June 30, 2014	<u>\$ 570,576</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net position.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net position provides a clearer change in financial well being. The Authority's unrestricted net position decreased \$309,971.

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

**Table 3 - Statement of Revenues, Expenses, and Changes in Net Position**

	2014	2013
<b><u>Revenues</u></b>		
Tenant Revenues	\$ 449,495	\$ 445,772
Operating Subsidies and Grants	6,108,905	6,596,339
Capital Grants	97,787	155,208
Investment Income	1,506	3,096
Other Revenues	<u>1,032,569</u>	<u>915,177</u>
<b>Total Revenues</b>	<u>7,690,262</u>	<u>8,115,592</u>
<b><u>Expenses</u></b>		
Administrative	1,373,058	1,529,252
Tenant and Protective Services	171,309	141,041
Utilities	260,844	166,487
Maintenance	1,112,528	1,066,505
General and Interest	212,828	199,099
Housing Assistance Payments	4,994,537	4,970,479
Depreciation	<u>543,436</u>	<u>553,755</u>
<b>Total Expenses</b>	<u>8,668,540</u>	<u>8,626,618</u>
Net Increases (Decreases) in Net Position	<u>\$ (978,278)</u>	<u>\$ (511,026)</u>

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

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

*REVENUES:* Operating Subsidies, Grants and Capital Grants decreased by \$487,434, or 7 percent. The majority of the decrease was due to HUD's offset of voucher funding and their proration for funding agencies.

*EXPENSES:* Utility expenses increased by \$94,357 primarily due to a delay in billing for AMP2 that caused two years to be paid in FY 2014. Maintenance expenses increased by \$46,023 and tenant and protective services increased by \$30,268.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

As of year end, the Authority had \$5.163 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (addition, deductions and depreciation) of \$195,357 from the end of last year.

**Table 4 - Capital Assets at Year-End (Net of Depreciation)**

	2014	2013
Land	\$ 676,780	\$ 676,780
Building and Improvements	15,354,590	15,275,708
Equipment	892,227	730,064
Accumulated Depreciation	<u>(12,034,862)</u>	<u>(11,519,539)</u>
<b>Total</b>	<b><u>\$ 4,888,735</u></b>	<b><u>\$ 5,163,013</u></b>

The following reconciliation summarizes the change in capital assets, which is presented in detail in Note 3 of the financial statements.

**Table 5 - Change in Capital Assets**

Beginning Balance, June 30, 2013	\$ 5,163,013
Current Year Additions	274,008
Asset Disposal	(4,850)
Depreciation	<u>(543,436)</u>
Ending Balance - June 30, 2014	<b><u>\$ 4,888,735</u></b>

***Debt Administration***

At year-end, the Authority had \$854,795 in long-term debt. The current year debt decreased due to the principal payment made of \$46,523. There was no new debt issued for the year. See Note 4 for more information on long-term debt.

**ERIE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Unaudited)**

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**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding of 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

**IN CONCLUSION**

The Authority had a \$309,971 decrease in unrestricted net position and a reduction of \$978,278 in total net position.

**FINANCIAL CONTACT**

If you have any questions regarding this report, you may contact Ralph Chamberlain, Executive Director of the Erie Metropolitan Housing Authority at (419) 502-2321.



**ERIE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 653,209
Restricted Cash and Cash Equivalents	166,268
Receivables, Net	90,424
Prepaid Expenses and Other Assets	46,076
Inventory	<u>58,695</u>
<b>Total Current Assets</b>	<b><u>1,014,672</u></b>

**Capital Assets**

Non-Depreciable Capital Assets	676,780
Depreciable Capital Assets, Net	<u>4,211,955</u>
<b>Total Capital Assets</b>	<b><u>4,888,735</u></b>

Other Assets	<u>11,774</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 5,915,181</u></b>
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**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 123,668
Current Portion of Compensated Absences	29,729
Accrued Liabilities	24,789
Tenant Security Deposits	26,900
Other Current Liabilities	15,843
Current Portion - Mortgages Payable	<u>51,523</u>
<b>Total Current Liabilities</b>	<b><u>272,452</u></b>

**Noncurrent Liabilities**

Mortgages Payable	803,272
Accrued Compensated Absences - Non-Current	89,182
Other Non-Current Liabilities	<u>40,863</u>
<b>Total Noncurrent Liabilities</b>	<b><u>933,317</u></b>
<b>Total Liabilities</b>	<b><u>1,205,769</u></b>

**NET POSITION**

Net Investment in Capital Assets	4,033,940
Restricted	104,896
Unrestricted	<u>570,576</u>
<b>Total Net Position</b>	<b><u>4,709,412</u></b>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 5,915,181</u></b>
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See accompanying notes to the basic financial statements.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b><u>Operating Revenues</u></b>	
Tenant Rental Income	\$ 449,495
Government Operating Grants	6,108,905
Other Revenue	<u>1,034,396</u>
<b>Total Operating Revenues</b>	<b><u>7,592,796</u></b>
<b><u>Operating Expenses</u></b>	
Administrative Salaries	1,373,058
Tenant and Protective Services	171,309
Utilities	260,844
Maintenance	1,112,528
General	168,035
Housing Assistance Payment	4,994,537
Depreciation Expense	<u>543,436</u>
<b>Total Operating Expenses</b>	<b><u>8,623,747</u></b>
<b>Operating Income (Loss)</b>	<b><u>(1,030,951)</u></b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Interest and Investment Revenue	1,506
Interest Expense	(44,793)
Loss on Disposal of Capital Assets	<u>(1,827)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(45,114)</u></b>
Income (Loss) Before Capital Grants	(1,076,065)
Capital Grants	<u>97,787</u>
<b>Change in Net Position</b>	<b>(978,278)</b>
Total Net Position, Beginning of Year	<u>5,687,690</u>
<b>Net Position, End of Year</b>	<b><u>\$ 4,709,412</u></b>

See accompanying notes to the basic financial statements.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received - HUD Operating Subsidies and Grants	\$ 6,108,905
Cash Received from Tenants	446,527
Other Revenue	1,068,555
Cash Payments for Housing Assistance Payments	(4,994,537)
Cash Payments for Administrative Costs	(1,365,824)
Cash Payment for Other Operating Expenses	<u>(1,684,586)</u>
<b>Net Cash Used in by Operating Activities</b>	<u>(420,960)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Cash from Asset Sale	3,023
Capital Additions	(274,008)
Capital Grants	97,787
Interest Expense	(44,793)
Repayment of Long Term Debt	<u>(46,523)</u>
<b>Net Cash Provided (Used) by Capital and Other Related Financing Activities</b>	<u>(264,514)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Investment Income	<u>1,506</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>1,506</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(683,968)
Cash and Cash Equivalents, Beginning	<u>1,503,445</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 819,477</u>
<b><u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u></b>	
Net Operating (Loss)	\$ (1,030,951)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	543,436
(Increase) Decrease in:	
Accounts Receivable	37,749
Prepaid Expenses	1,651
Inventory and Other Assets	(6,418)
Increase (Decrease) in:	
Accounts Payable	30,816
Compensated Absences	7,234
Security Deposits	500
Non-Current Liabilities	11,217
Accrued Expenses and Other Current Liabilities	<u>(16,194)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (420,960)</u>

See accompanying notes to the basic financial statements.

**ERIE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Reporting Entity**

The Erie Metropolitan Housing Authority (the Authority) is a political subdivision of the State of Ohio, located in Sandusky, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the Authority and the United States 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, maintenance, 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. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GAB guidance as applicable to enterprise funds.

The Authority’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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

**Basis of Presentation** (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**Measurement Focus and Basis of Accounting**

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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 repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Buildings	40 years
Land and Building Improvements	15 years
Equipment	7 years
Autos	5 years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2014 fiscal year was \$543,436.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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

**Cash and Cash Equivalents**

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

**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 Assets**

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess Housing Choice Voucher housing assistance payments funding and security deposits collected from residents of the Authority's housing units.

**Net Position**

Net position represents the difference between assets and liabilities. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes the Housing Choice Voucher Program HAP Equity. That is funding provided to the Authority by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended and was \$8,478 at June 30, 2014. In addition, there is restricted net position of \$96,418 from the Public Housing Program.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budgetary Accounting**

The Authority annually prepares funding requests as prescribed by HUD. After HUD approval of these requests, a budget is adopted by the Board of the Authority.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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

**Capitalization of Interest**

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

**Financial Statement Format and Content**

The format and content of the financial statements included in this report conforms to the format and content submitted to U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

NOTE 2: **DEPOSITS AND INVESTMENTS**

The Authority follows the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This standard revised the existing requirement regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

**Deposits**

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.

Inactive deposits are public deposits that the Authority had 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 to 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.

At June 30, 2014, the Authority had undeposited cash on hand (petty cash) of \$485.



**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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

**Deposits** (Continued)

At June 30, 2014, the carrying amount of the Authority's cash deposits was \$818,992 and the bank balance was \$893,429. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2014, deposits totaling \$585,694 were covered by Federal Depository Insurance, while the balance of \$307,735 was collateralized by securities pledged in the name of the Authority.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

**Investments**

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, 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 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 exception 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.



**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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

**Investments** (Continued)

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2014, the Authority has no investments.

**Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit investment choices.

**Concentration of Credit Risk**

Generally, the Authority places no limit on the amount it may invest in any one financial institution. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represent 100 percent of its deposits.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

**NOTE 3: CAPITAL ASSETS**

A summary of capital assets at June 30, 2014, by class is as follows:

Land	\$ 676,780
Building and Building Improvements	15,354,590
Furniture, Equipment	<u>892,227</u>
Total	16,923,597
Less Accumulated Depreciation	<u>(12,034,862)</u>
Net Property and Equipment	<u>\$ 4,888,735</u>

A summary of changes in capital assets during the year is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 676,780	\$ 0	\$ 0	\$ 676,780
<b>Total Capital Assets Not Being Depreciated</b>	<u>676,780</u>	<u>0</u>	<u>0</u>	<u>676,780</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	15,275,708	78,882	0	15,354,590
Furniture and Equipment	<u>730,064</u>	<u>195,126</u>	<u>(32,963)</u>	<u>892,227</u>
<b>Total Capital Assets Being Depreciated</b>	<u>16,005,772</u>	<u>274,008</u>	<u>(32,963)</u>	<u>16,246,817</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	(10,919,345)	(481,797)	0	(11,401,142)
Furniture and Equipment	<u>(600,194)</u>	<u>(61,639)</u>	<u>28,113</u>	<u>(633,720)</u>
<b>Less Accumulated Depreciation</b>	<u>(11,519,539)</u>	<u>(543,436)</u>	<u>28,113</u>	<u>(12,034,862)</u>
Total Capital Assets being Depreciated, Net	<u>4,486,233</u>	<u>(269,428)</u>	<u>(4,850)</u>	<u>4,211,955</u>
<b>Total Capital Assets, Net</b>	<u>\$ 5,163,013</u>	<u>\$ (269,428)</u>	<u>\$ (4,850)</u>	<u>\$ 4,888,735</u>

**NOTE 4: LONG-TERM DEBT**

The long-term debt consists of bond payable dated July 17, 2007, due June 2027, and was funded by a bond issue in the principal amount of \$40,532,000, of which the Authority's share is \$1,130,000. Repayment of the loan is funded through contributions from HUD under the Capital Fund Program and investment earnings. Payments are made by reducing the Capital Fund Program subsidy due to the Authority. Payments are due semi-annually beginning October 1, 2007, totaling approximately \$90,000 annually. Serial bonds were issued with fixed interest rates between 3.90 percent and 4.67 percent. The bonds were issued to provide major renovations at Bayshore Towers. The outstanding balance as of June 30, 2014 is \$854,795.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

NOTE 4: **LONG-TERM DEBT** (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

<u>Description</u>	<u>Balance</u> <u>06/30/13</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>06/30/14</u>	<u>Current</u> <u>Portion</u>
U. S. Department of HUD	\$ 880,000	\$ 0	\$ (45,000)	\$ 835,000	\$ 50,000
Unamortized Premium	21,318	0	(1,523)	19,795	1,523
Compensated Absence	111,677	57,212	(49,978)	118,911	29,729
Total	<u>\$1,012,995</u>	<u>\$ 57,212</u>	<u>\$ (96,501)</u>	<u>\$ 973,706</u>	<u>\$ 81,252</u>

Debt maturities for the next five years are estimated as follows:

<u>For the Year</u> <u>Ended June, 30</u>	<u>Amortized</u> <u>Premium</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2015	\$ 1,523	\$ 50,000	\$ 41,750	\$ 93,273
2016	1,523	50,000	39,250	90,773
2017	1,523	50,000	36,750	88,273
2018	1,523	55,000	34,250	90,773
2019	1,523	55,000	31,500	88,023
2020-2024	7,613	330,000	112,750	450,363
2025-2027	4,567	245,000	24,750	274,317
Totals	<u>\$ 19,795</u>	<u>\$ 835,000</u>	<u>\$ 321,000</u>	<u>\$ 1,175,795</u>

NOTE 5: **RESTRICTED CASH**

The restricted cash balance of \$166,268 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by:	
HUD for Housing Assistance Payments	\$ 8,478
Tenant Security Deposits	26,900
FSS Escrow Funds	34,472
Capital Fund Bond Cash	96,418
Total Restricted Cash	<u>\$ 166,268</u>

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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NOTE 6: **PENSION PLAN**

**Ohio Public Employees Retirement System**

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit 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.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377 or by using the OPERS website at [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 - 2014, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2014, 2013, and 2012 were \$156,368, \$155,196, and \$148,390, respectively. The full amount has been contributed for 2014, 2013, and 2012. The Authority had no employees in the Member-Directed Plan or Combined Plan for the years noted above.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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NOTE 7: **POST-EMPLOYMENT BENEFITS**

**A. Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377 or by using the OPERS website at [www.opers.org](http://www.opers.org).

**B. Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2014, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent from January 1, 2013 through December 31, 2013, and 2.0 percent from January 1, 2014 through June 30, 2014.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2014, 2013, and 2012 which were used to fund post-employment benefits were \$16,732, \$27,783, and \$42,397, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of the Authority based on local and state laws. All permanent employees will earn 4.62 hours of sick leave per eighty (80) hours of service. Unused sick leave may accumulate without limit. After ten (10) or more years of service and upon retirement, employees shall be paid the value of twenty-five percent of unused sick leave subject to a maximum payment equal to 30 days of sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Employees will be paid for all unused vacation time upon their separation from service.

**ERIE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
**(CONTINUED)**

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NOTE 9: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 10: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 11: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**ERIE METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF MODERNIZATION COSTS - COMPLETED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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1. The total amount of modernization costs of the Capital Fund Program grants are shown below:

<u>OH12P02850111</u>	
Funds Approved	\$ 290,382
Funds Expended	<u>290,382</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 290,382
Funds Expended	<u>290,382</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
<u>OH12P02850112</u>	
Funds Approved	\$ 252,928
Funds Expended	<u>252,928</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 252,928
Funds Expended	<u>252,928</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.



**ERIE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
ENTITY WIDE BALANCE SHEET SUMMARY  
JUNE 30, 2014**

	Project Total	93.044 Special Programs for the Aging - Title III, Part B- Grants for Supportive	93.045 Special Programs for the Aging - Title III, Part C- Nutrition Services	14.871 Housing Choice Vouchers	93.778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	265,423			48,718		35,443	303,625	653,209		653,209
112 Cash - Restricted - Modernization and Development	96,418							96,418		96,418
113 Cash - Other Restricted				42,950				42,950		42,950
114 Cash - Tenant Security Deposits	26,900							26,900		26,900
<b>100 Total Cash</b>	<b>388,741</b>	-	-	<b>91,668</b>	-	<b>35,443</b>	<b>303,625</b>	<b>819,477</b>	-	<b>819,477</b>
125 Accounts Receivable - Miscellaneous	1,841					52,893	7,668	62,402		62,402
126 Accounts Receivable - Tenants	16,890							16,890		16,890
126.1 Allowance for Doubtful Accounts - Tenants	-3,771							-3,771		-3,771
128 Fraud Recovery				470,582				470,582		470,582
128.1 Allowance for Doubtful Accounts - Fraud				-455,887				-455,887		-455,887
129 Accrued Interest Receivable	207						1	208		208
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>15,167</b>	-	-	<b>14,695</b>	-	<b>52,893</b>	<b>7,669</b>	<b>90,424</b>	-	<b>90,424</b>
142 Prepaid Expenses and Other Assets	37,193			1,524		3,791	3,568	46,076		46,076
143 Inventories	39,209					13,408	8,158	60,775		60,775
143.1 Allowance for Obsolete Inventories	-1,960						-120	-2,080		-2,080
<b>150 Total Current Assets</b>	<b>478,350</b>	-	-	<b>107,887</b>	-	<b>105,535</b>	<b>322,900</b>	<b>1,014,672</b>	-	<b>1,014,672</b>
161 Land	640,845						35,995	676,780		676,780
162 Buildings	14,747,064			72,305			535,221	15,354,590		15,354,590
163 Furniture, Equipment & Machinery - Dwellings	141,934			75,336				217,270		217,270
164 Furniture, Equipment & Machinery - Administration	322,252					79,505	273,200	674,957		674,957
166 Accumulated Depreciation	-11,218,425			-101,853		-65,092	-649,492	-12,034,862		-12,034,862
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>4,633,670</b>	-	-	<b>45,788</b>	-	<b>14,413</b>	<b>194,864</b>	<b>4,888,735</b>	-	<b>4,888,735</b>
174 Other Assets							11,774	11,774		11,774
<b>180 Total Non-Current Assets</b>	<b>4,633,670</b>	-	-	<b>45,788</b>	-	<b>14,413</b>	<b>206,638</b>	<b>4,900,509</b>	-	<b>4,900,509</b>
<b>190 Total Assets</b>	<b>5,112,020</b>	-	-	<b>153,675</b>	-	<b>119,948</b>	<b>529,538</b>	<b>5,915,181</b>	-	<b>5,915,181</b>
200 Deferred Outflow of Resources										
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>5,112,020</b>	-	-	<b>153,675</b>	-	<b>119,948</b>	<b>529,538</b>	<b>5,915,181</b>	-	<b>5,915,181</b>

**ERIE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
ENTITY WIDE BALANCE SHEET SUMMARY  
JUNE 30, 2014**

	Project Total	93.044 Special Programs for the Aging - Title III, Part B Grants for Supportive	93.045 Special Programs for the Aging - Title III, Part C Nutrition Services	14.871 Housing Choice Vouchers	93.778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	29,711			8,014		27,449	58,494	123,668		123,668
321 Accrued Wage/Payroll Taxes Payable							3,328	3,328		3,328
322 Accrued Compensated Absences - Current Portion	5,303			7,308		7,650	9,468	29,729		29,729
331 Accounts Payable - HLD/PHA Programs				50				50		50
341 Tenant Security Deposits	26,900							26,900		26,900
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	51,523							51,523		51,523
345 Other Current Liabilities	1,148			14,695				15,843		15,843
346 Accrued Liabilities - Other	21,411							21,411		21,411
<b>310 Total Current Liabilities</b>	<b>135,996</b>	<b>-</b>	<b>-</b>	<b>30,067</b>	<b>-</b>	<b>35,099</b>	<b>71,290</b>	<b>272,452</b>	<b>-</b>	<b>272,452</b>
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	803,272							803,272		803,272
353 Non-current Liabilities - Other				34,472			6,391	40,863		40,863
354 Accrued Compensated Absences - Non Current	15,907			21,923		22,950	28,402	89,182		89,182
<b>350 Total Non-Current Liabilities</b>	<b>819,179</b>	<b>-</b>	<b>-</b>	<b>56,395</b>	<b>-</b>	<b>22,950</b>	<b>34,793</b>	<b>933,317</b>	<b>-</b>	<b>933,317</b>
<b>300 Total Liabilities</b>	<b>955,175</b>	<b>-</b>	<b>-</b>	<b>86,462</b>	<b>-</b>	<b>58,049</b>	<b>106,083</b>	<b>1,205,769</b>	<b>-</b>	<b>1,205,769</b>
400 Deferred Inflow of Resources										
508.4 Net Investment in Capital Assets	3,778,875			45,788		14,413	194,864	4,033,940		4,033,940
511.4 Restricted Net Position	96,418			8,478				104,896		104,896
512.4 Unrestricted Net Position	281,552			12,947		47,486	228,391	570,576		570,576
<b>513 Total Equity - Net Assets / Position</b>	<b>4,156,845</b>	<b>-</b>	<b>-</b>	<b>67,213</b>	<b>-</b>	<b>61,899</b>	<b>423,455</b>	<b>4,709,412</b>	<b>-</b>	<b>4,709,412</b>
<b>600 Total Liab, Def. Inflow of Res, and Equity - Net Assets / Position</b>	<b>5,112,020</b>	<b>-</b>	<b>-</b>	<b>153,675</b>	<b>-</b>	<b>119,948</b>	<b>529,538</b>	<b>5,915,181</b>	<b>-</b>	<b>5,915,181</b>

**ERIE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Total	93.044 Special Programs for the Aging - Title III, Part B- Grants for Supportive	93.045 Special Programs for the Aging-Title III, Part C- Nutrition Services	14.871 Housing Choice Vouchers	93.778 Medical Assistance Program	State/Local	COCG	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	413,204							413,204		413,204
70400 Tenant Revenue - Other	35,460						831	36,291		36,291
<b>70 500 Total Tenant Revenue</b>	<b>448,664</b>	-	-	-	-	-	831	449,495	-	449,495
70600 HUD PHA Operating Grants	866,774			5,061,514				5,928,288		5,928,288
70610 Capital Grants	97,787							97,787		97,787
70710 Management Fee							164,813	164,813	-164,813	-
70720 Asset Management Fee							27,280	27,280	-27,280	-
70730 Book Keeping Fee							20,310	20,310	-20,310	-
70740 Front Line Service Fee							95,263	95,263	-95,263	-
70750 Other Fees							171,459	171,459		171,459
<b>70 700 Total Fee Revenue</b>	<b>-</b>	-	-	-	-	-	479,125	479,125	-307,666	171,459
70800 Other Government Grants		19,032	124,953		36,652			180,617		180,617
71100 Investment Income - Unrestricted	646						860	1,506		1,506
71400 Fraud Recovery				14,695				14,695		14,695
71500 Other Revenue	98,734			8,490		741,018		848,242		848,242
71600 Gain or Loss on Sale of Capital Assets	-1,827							-1,827		-1,827
<b>70 000 Total Revenue</b>	<b>1,510,778</b>	<b>19,032</b>	<b>124,953</b>	<b>5,084,699</b>	<b>36,652</b>	<b>741,018</b>	<b>480,816</b>	<b>7,997,928</b>	<b>-307,666</b>	<b>7,690,262</b>
91100 Administrative Salaries	70,300			284,004				354,304		354,304
91200 Auditing Fees	3,268			10,420		3,172		16,860		16,860
91300 Management Fee	164,813							164,813	-164,813	-
91310 Book-keeping Fee	20,310							20,310	-20,310	-
91400 Advertising and Marketing	1,995			6		1	2	2,004		2,004
91500 Employee Benefit contributions - Administrative	25,253			86,150		89,164	75,982	276,549		276,549
91600 Office Expenses	26,741			48,060		12,057	25,310	112,168	-95,263	16,905
91700 Legal Expense	11,645			4,440		117	2,223	18,425		18,425
91800 Travel	12,272			9,471		6,735	4,386	32,864		32,864
91900 Other	979			1,809		28,714	781	32,283		32,283
<b>91 000 Total Operating - Administrative</b>	<b>337,576</b>	<b>-</b>	<b>-</b>	<b>444,360</b>	<b>-</b>	<b>464,712</b>	<b>406,796</b>	<b>1,653,444</b>	<b>-280,386</b>	<b>1,373,058</b>
92000 Asset Management Fee	27,280							27,280	-27,280	-
92100 Tenant Services - Salaries	16,180			32,414				48,594		48,594
92300 Employee Benefit Contributions - Tenant Services	7,097			13,726				20,823		20,823
92400 Tenant Services - Other	31,726							31,726		31,726
<b>92 500 Total Tenant Services</b>	<b>55,003</b>	<b>-</b>	<b>-</b>	<b>46,140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,143</b>	<b>-</b>	<b>101,143</b>



**ERIE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Total	95,044 Special Programs for the Aging - Title III, Part B- Grants for Supportive	93,045 Special Programs for the Aging - Title III, Part C- Nutrition Services	14,871 Housing Choice Vouchers	93,778 Medical Assistance Program	State/Local	COCC	Subtotal	ELJM	Total
95100 Water	8,670			46		6	178	8,900		8,900
95200 Electricity	109,982			4,223		515	1,479	116,199		116,199
95300 Gas	104,364			969		180	339	105,852		105,852
95400 Fuel						11,400		11,400		11,400
95600 Sewer	18,368			85		10	30	18,493		18,493
<b>95000 Total Utilities</b>	<b>241,384</b>	<b>-</b>	<b>-</b>	<b>5,323</b>	<b>-</b>	<b>12,111</b>	<b>2,026</b>	<b>260,844</b>	<b>-</b>	<b>260,844</b>
94100 Ordinary Maintenance and Operations - Labor	123,240							123,240		123,240
94200 Ordinary Maintenance and Operations - Materials and Other	145,816			2,370		470,911	1,269	620,366		620,366
94300 Ordinary Maintenance and Operations Contracts	204,487			90,237		16,397	22,638	333,759		333,759
94500 Employee Benefit Contributions - Ordinary Maintenance	34,261					63		34,324		34,324
<b>94000 Total Maintenance</b>	<b>507,804</b>	<b>-</b>	<b>-</b>	<b>92,607</b>	<b>-</b>	<b>487,371</b>	<b>23,907</b>	<b>1,111,689</b>	<b>-</b>	<b>1,111,689</b>
95200 Protective Services - Other Contract Costs	52,821					17,345		70,166		70,166
<b>95000 Total Protective Services</b>	<b>52,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,345</b>	<b>-</b>	<b>70,166</b>	<b>-</b>	<b>70,166</b>
96110 Property Insurance	66,111			1,660			582	68,353		68,353
96120 Liability Insurance	547			990			617	2,154		2,154
96130 Workmen's Compensation	3,725			6,028		5,371	3,873	18,997		18,997
96140 All Other Insurance	7,693			900		4,986	1,800	15,379		15,379
<b>96100 Total Insurance Premiums</b>	<b>78,076</b>	<b>-</b>	<b>-</b>	<b>9,578</b>	<b>-</b>	<b>10,357</b>	<b>6,872</b>	<b>104,883</b>	<b>-</b>	<b>104,883</b>
96200 Other General Expenses	3,020			12,264				15,284		15,284
96210 Compensated Absences	8,412			-3,963		-1,717	4,576	7,308		7,308
96300 Payments in Lieu of Taxes	21,411							21,411		21,411
96400 Bad debt - Tenant Rents	18,476							18,476		18,476
96800 Severance Expense				673				673		673
<b>96000 Total Other General Expenses</b>	<b>51,319</b>	<b>-</b>	<b>-</b>	<b>8,974</b>	<b>-</b>	<b>-1,717</b>	<b>4,576</b>	<b>63,152</b>	<b>-</b>	<b>63,152</b>
96710 Interest of Mortgage (or Bonds) Payable	44,793							44,793		44,793
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>44,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,793</b>	<b>-</b>	<b>44,793</b>
<b>96900 Total Operating Expenses</b>	<b>1,396,056</b>	<b>-</b>	<b>-</b>	<b>606,982</b>	<b>-</b>	<b>990,179</b>	<b>444,177</b>	<b>3,487,394</b>	<b>-307,666</b>	<b>3,129,728</b>
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	<b>114,722</b>	<b>19,032</b>	<b>124,953</b>	<b>4,477,717</b>	<b>36,632</b>	<b>-249,161</b>	<b>36,639</b>	<b>4,560,534</b>	<b>-</b>	<b>4,560,534</b>

**ERIE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Total	98,044 Special Programs for the Aging - Title III, Part B Grants for Supportive	98,045 Special Programs for the Aging - Title III, Part C Nutrition Services	14871 Housing Choice Vouchers	99,778 Medical Assistance Program	State/Local	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	839							839		839
97300 Housing Assistance Payments				4,994,537				4,994,537		4,994,537
97400 Depreciation Expense	492,644			8,368		3,289	39,135	546,436		546,436
<b>90000 Total Expenses</b>	<b>1,889,539</b>	<b>-</b>	<b>-</b>	<b>5,609,887</b>	<b>-</b>	<b>993,468</b>	<b>483,312</b>	<b>8,976,206</b>	<b>-307,666</b>	<b>8,668,540</b>
10010 Operating Transfer In	118,251			85,000		180,617		383,868	-383,868	-
10020 Operating transfer Out	-118,251	-19,032	-124,953		-36,652		-85,000	-383,868	383,868	-
<b>10100 Total Other financing Sources (Uses)</b>	<b>-</b>	<b>-19,032</b>	<b>-124,953</b>	<b>85,000</b>	<b>-36,652</b>	<b>180,617</b>	<b>-85,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>-378,761</b>	<b>-</b>	<b>-</b>	<b>-440,188</b>	<b>-</b>	<b>-71,833</b>	<b>-87,496</b>	<b>-978,278</b>	<b>-</b>	<b>-978,278</b>
11020 Required Annual Debt Principal Payments	46,523							46,523		46,523
11030 Beginning Equity	4,535,606	-31,008	-33,253	507,401		197,998	510,951	5,687,690		5,687,690
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		31,008	33,253			-64,261		-		-
11170 Administrative Fee Equity				58,735				58,735		58,735
11180 Housing Assistance Payments Equity				8,478				8,478		8,478
11190 Unit Months Available	2,728			12,364				15,292		15,292
11210 Number of Unit Months Leased	2,708			11,976				14,684		14,684

**ERIE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<b><u>Direct Programs</u></b>		
Low Rent Public Housing Program	14.850	\$ 679,116
Section 8 Housing Choice Voucher Program	14.871	5,061,514
Public Housing - Capital Fund Program	14.872	285,445
<b>Total U.S. Department of Housing and Urban Development</b>		<b>6,026,075</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
<b><u>Pass-Through Programs</u></b>		
<i>Area Office on Aging of Northwestern Ohio, Inc.</i>		
Aging Programs (Cluster):		
Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Center	93.044	19,032
Special Programs for the Aging - Title III, Part C, Nutrition Services	93.045	124,953
Total Aging Program Cluster		143,985
Medical Assistance Program - Passport Medicaid Waiver Program	93.778	36,632
<b>Total U. S. Department of Health and Human Services</b>		<b>180,617</b>
<b>Total Federal Expenditures</b>		<b>\$ 6,206,692</b>

This schedule is prepared on the accrual basis of accounting.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**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  
Sandusky, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited, in accordance with the 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, the financial statements of the Erie Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Erie Metropolitan Housing Authority's basic financial statements and have issued our report thereon dated December 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, which is identified as **Finding 2014-001**.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Erie Metropolitan Housing Authority, Ohio's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Erie Metropolitan Housing Authority's Response to Finding**

The Erie Metropolitan Housing Authority, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, President  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
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o=James G. Zupka, CPA, Inc.,  
ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.12.23 09:52:41 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2014



**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Erie Metropolitan Housing Authority  
Sandusky, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on Compliance for Each Major Federal Program**

We have audited the Erie Metropolitan Housing Authority, Ohio's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2014. The Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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*. 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 the 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 on compliance for each of its major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, Erie Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

The management of the Erie Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,  
CPA, President

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jg@zupkaandcpa.com, c=US  
Date: 2014.12.23 09:53:11 -0500

James G. Zupka CPA, Inc.  
Certified Public Accountants

December 19, 2014

**ERIE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2014**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	Yes
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list):  CFDA #14.871 - Housing Choice Voucher Program	
2014(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2014(ix)	Low Risk Auditee?	Yes

**ERIE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505 (CONTINUED)  
JUNE 30, 2014**

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**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding 2014-001 - Significant Deficiency - Internal Controls Over Financial Reporting**

Statement of Condition/Criteria

Financial reporting is the responsibility of the Authority's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, the following errors to the financial statements were identified:

1. Incorrect reporting of restricted cash and equity, Federal Grant Revenue and Public Housing expenses.
2. Errors in reporting of miscellaneous accounts receivable and inter-program balances.
3. Omitting the reporting of a Senior Center Gift shop.

As a result, audit adjustments have been proposed and made to correct the financial activity for fiscal year 2014.

Cause/Effect

The changes in financial presentation resulted in various adjustments to the financial report as noted above. Also, the lack of controls over financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the Authority implement controls and procedures related to financial reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response

Erie Metropolitan Housing Authority concurs with the above comments and have made all the adjustments in the corrected financial statements.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**ERIE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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The prior audit report, as of June 30, 2013, included no citations or instances of noncompliance or management letter recommendations have been corrected.

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# Dave Yost • Auditor of State

**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, 2015**