
Dayton Metropolitan Housing Authority

**Report on Financial Statements and
Report on Federal Awards in
Accordance with Government
Auditing Standards and OMB
Circular A-133
For the year ended June 30, 1999**

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Dayton Metropolitan Housing Authority

Table of Contents

| | <u>Pages</u> |
|--|--------------|
| Report of Independent Accountants | 1-2 |
| Financial Statements: | |
| Statement of Assets, Liabilities and Surplus | 3 |
| Statement of Income and Expenses..... | 4 |
| Statement of Receipts and Disbursements..... | 5 |
| Analysis of Surplus | 6 |
| Notes to the Financial Statements..... | 7-14 |
| Supplemental Schedules: | |
| Dayton Local Housing Authority Assets, Liabilities and Surplus..... | 15 |
| Combining Schedule of Income and Expenses..... | 16 |
| Schedule of Adjusting Journal Entries | 17 |
| Schedule of Expenditures of Federal Awards..... | 18-19 |
| Report of Independent Accountants on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 20-21 |
| Report of Independent Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 22-23 |
| Schedule of Findings and Questioned Costs..... | 24-25 |
| Year 2000 Supplementary Information..... | 26-27 |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Board of Commissioners
Dayton Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Dayton Metropolitan Housing Authority, Montgomery County, prepared by Pricewaterhouse Coopers LLP for the audit period July 1, 1998 through June 30, 1999. 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 Dayton Metropolitan Housing Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

March 27, 2000

Report of Independent Accountants

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

We have audited the accompanying financial statements of the Dayton Metropolitan Housing Authority (the Authority) as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and the applicable requirements from the *U.S. Department of Housing and Urban Development Audit Guide for Audits of Public Housing Agencies and Indian Housing Authorities by Independent Auditors*. 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 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.

As described in Note 1, the Authority's policy is to prepare and present its financial statements on the basis of accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and surplus of the Dayton Metropolitan Housing Authority at June 30, 1999, and its revenue, expenses and changes in surplus, and its receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 1999 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Authority. The accompanying supplemental information listed in the table of contents is also presented for the purpose of additional analysis, but is not required by U.S. OMB Circular A-133, nor is it a required part of the financial statements of the Authority. Both the schedule of expenditures of federal awards and the supplemental information have been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

PriceWaterhouseCoopers LLP

Dayton, Ohio
November 8, 1999

Dayton Metropolitan Housing Authority
Statement of Assets, Liabilities and Surplus
As of June 30, 1999

Assets

| | |
|------------------------------------|--------------------------|
| Cash and cash equivalents | \$ 487,197 |
| Accounts receivable: | |
| HUD | 553,842 |
| Tenants | 156,113 |
| Homebuyers | 58,833 |
| Other | 401,410 |
| Accrued interest receivable | 2,162 |
| Investments | 10,050,071 |
| Debt amortization funds | 5,854 |
| Prepaid items and deferred charges | 140,652 |
| Inventory | 1,024,808 |
| Land, structures and equipment | <u>200,368,541</u> |
| Total assets | <u>\$213,249,483</u> |

Liabilities and Surplus

| | |
|-----------------------------------|--------------------------|
| Accounts payable: | |
| Trade | \$ 653,901 |
| HUD | 19,207 |
| Other | 24,873 |
| Project notes payable (Note 3) | 20,062,180 |
| Other liabilities: | |
| Interest payable on project loans | 15,738,405 |
| Payments in lieu of taxes | 269,184 |
| Tenants' security deposits | 239,188 |
| Other | 788,516 |
| Homebuyer reserves | 88,271 |
| Section 8 reserves | 93,312 |
| Deferred credits | 144,138 |
| Fixed liabilities (Note 3) | <u>17,532,356</u> |
| Total liabilities | 55,653,531 |
| Surplus | <u>157,595,952</u> |
| Total liabilities and surplus | <u>\$213,249,483</u> |

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

Dayton Metropolitan Housing Authority
Statement of Income and Expenses
For the year ended June 30, 1999

| | |
|-------------------------------------|----------------------|
| Operating Income: | |
| Rental | \$ 5,809,012 |
| Interest | 736,992 |
| Other | <u>1,354,929</u> |
| Total operating income | 7,900,933 |
| Operating expenses: | |
| Administration | 4,764,976 |
| Tenant services | 860,465 |
| Utilities | 3,161,468 |
| Ordinary maintenance/operation | 4,839,949 |
| Protective services | 1,005,014 |
| General expense | 3,184,577 |
| Nonroutine maintenance | 1,033,932 |
| Housing assistance payments | 11,350,560 |
| Independent Public Accounting Costs | <u>34,204</u> |
| Total operating expenses | <u>30,235,145</u> |
| Net operating loss | (22,334,212) |
| Other income (charges): | |
| Interest on notes/bonds payable | (951,264) |
| Loss on disposal of equipment | (132,801) |
| Prior year adjustments | 314,981 |
| Current year adjustments | <u>(6,401,673)</u> |
| Total other income (charges) | <u>(7,170,757)</u> |
| Net loss | (29,504,969) |
| Surplus, June 30, 1998 | 159,885,000 |
| Direct charges in surplus | <u>27,215,921</u> |
| Surplus, June 30, 1999 | <u>\$157,595,952</u> |

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

Dayton Metropolitan Housing Authority
Statement of Receipts and Disbursements
For the year ended June 30, 1999

| | |
|---|--------------------|
| Cash flows from operating activities: | |
| Net loss | \$(29,504,969) |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| Annual contributions earned | 12,416,376 |
| Operating subsidy | 7,549,038 |
| Donations | 7,624 |
| Depreciation expense | 52,320 |
| Loss on disposal of assets | 132,801 |
| Assets conveyed to homeowners | (577,199) |
| Change in assets and liabilities: | |
| Tenant receivables | 34,491 |
| HUD receivables | (296,636) |
| Other receivables | 612,389 |
| Debt amortization funds | 9,570 |
| Inventory | 139,769 |
| Prepaid items and deferred charges | (41,054) |
| Trade payables | (628,877) |
| HUD payables | (301,945) |
| Other payables | (37,054) |
| Accrued expenses | 350,918 |
| Accrued interest | 6,273,119 |
| Trust and deposit liabilities | (106,768) |
| Deferred credits | 38,486 |
| | <u>(3,877,601)</u> |
| Net cash used in operating activities | <u>(3,877,601)</u> |
| Cash flows from investing activities: | |
| Purchase of investments, net | <u>(1,254,946)</u> |
| Net cash used in investing activities | <u>(1,254,946)</u> |
| Cash flows from capital and related financial activities: | |
| Acquisition of land, structures and equipment | (6,514,097) |
| Proceeds from sale of land, structures and equipment | 455,820 |
| Extinguishment of debt | 2,289,906 |
| Retirement of bonds | (1,348,212) |
| HUD grants received | <u>5,074,356</u> |
| Net cash used in capital and related financing activities | <u>(42,227)</u> |
| Net decrease in cash and cash equivalents | (5,174,774) |
| Cash and cash equivalents, beginning of year | <u>5,661,971</u> |
| Cash and cash equivalents, end of year | <u>\$ 487,197</u> |

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

Dayton Metropolitan Housing Authority
Analysis of Surplus
For the year ended June 30, 1999

| | Reserved Surplus - Operating Reserve | | Unreserved Surplus | Reserve Surplus Unfunded (Project Account) | Cumulative HUD Grants and Contributions | Cummulative Donations | Replacement Reserve - Proceeds from Dwelling Sales | Book Value of Project Conveyed by HUD | Contact Payments by HUD | Book Value of Assets Conveyed to Homebuyers | Total |
|---------------------------------------|--------------------------------------|------------------------------------|--------------------|--|---|-----------------------|--|---------------------------------------|-------------------------|---|----------------|
| | Owed Housing Homeownership and PHDEP | Housing Assistance Payment Program | | | | | | | | | |
| Balance at June 30, 1998 | \$ 7,652,865 | \$ 397,194 | \$ (34,333,021) | \$ 14,048,628 | \$ 476,243,802 | \$ 3,768,709 | \$ 3,933,960 | \$ 1,010,372 | \$ (31,908) | \$ (5,787,321) | \$ 159,885,900 |
| Net loss | | | (29,441,445) | | | | | | | | (29,441,445) |
| Provisions for operating reserves | | | 2,089,411 | | | | (334,777) | | | | - |
| Provision for project account reserve | | | 1,808,668 | (1,808,668) | | | | | | | - |
| Annual contributions earned | | | | | 12,416,376 | | | | | | 12,416,376 |
| Operating subsidy | | | | | 7,349,038 | | | | | | 7,349,038 |
| HUD grants received | | | | | 5,074,336 | | | | | | 5,074,336 |
| Debt service | | | | | 2,289,906 | | | | | | 2,289,906 |
| Donations | | | | | | 7,624 | | | | | 7,624 |
| Sale of homes | | | | | | | 455,870 | | | (577,199) | (121,329) |
| Balance at June 30, 1999 | \$ 5,861,451 | \$ 493,714 | \$ (36,696,387) | \$ 12,239,960 | \$ 503,573,478 | \$ 3,776,333 | \$ 4,057,609 | \$ 1,010,372 | \$ (31,908) | \$ (6,364,220) | \$ 157,659,476 |

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

Dayton Metropolitan Housing Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

Dayton Metropolitan Housing Authority (DMHA) was created in 1934 by the Ohio State Board of Housing. The Authority's jurisdiction is that of Montgomery County, with the exception of the Village of Verona, which is partially in Preble County. DMHA administers the various low income housing programs for the United States Department of Housing and Urban Development (HUD). The DMHA is governed by the Board of Housing Commissioners. A summary of significant DMHA programs follows:

PHA Owned Housing (C-926) - Under this program, the Authority owns and operates apartments and single family housing. Funding is provided by tenant rent payments and HUD subsidies.

Housing Assistance Payments (C-5023) - Under Section 8 of the Housing Program, low income tenants lease housing units directly from private landlords rather than the Authority. HUD contracts with the Authority, who in turn contracts with private landlords to make assistance payments for the difference between the approved contract rent and the actual rent paid by the low income tenants.

Homeownership (C-926) - Under this program, qualified low income families can earn ownership of their homes. A portion of each monthly rent payment is applied against the purchase price of the home. A family achieves home ownership when accumulated equity equals a predetermined amount based on the unamortized purchase price of the dwelling. A family may also purchase the dwelling by obtaining financing to pay the amount by which the purchase price exceeds the family's equity in the home.

Modernization and Development (C-926) - Substantially all additions to land, structures, and equipment are accomplished through Modernization or Development Programs. Modernization Programs replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through project notes and grants. Development Programs are used to acquire additional housing units for the Public Housing Programs. Funding is provided through project notes, grants and serially maturing bonds. HUD provides annual contributions for the payment of principal and maturing bonds. Modernization and Development project costs are capitalized and reported on the statement of assets, liabilities and surplus until such time as they are completed and placed into service in one of the aforementioned programs. The Authority enters into significant construction contract obligations in relation to this Modernization and Development activity on an ongoing basis.

Dayton Metropolitan Housing Authority

Notes to Financial Statements

Public Housing Drug Elimination Program (C-926) - The PHDEP provides funds for public housing authorities and tribally designated housing entities to develop and finance drug and drug-related crime elimination efforts in their developments. Funds may be used for enhancing security within the developments, making physical improvements to improve security or developing and implementing prevention, intervention and treatment programs to help curtail the use of drugs in public and Indian housing.

Jobs-Plus - Jobs-Plus is an inner city revitalization program, designed to provide saturation level, employment related services to all working age residents of a single public housing development in each community selected as a demonstration site. This initiative was launched in the context of emerging changes in national and state policies that would simultaneously place strict time limits on welfare receipt and reduce federal subsidies for public housing. Jobs-Plus was designed with a research component to measure its impact on residents, families, public housing developments, and inner-city communities.

The Dayton Local Housing Authority (DLHA) - DLHA was originally established under the Lanham Act from the sale of temporary federal war-housing projects. The DLHA is affiliated through a common Board of Commissioners with the Dayton Metropolitan Housing Authority. The DLHA owns and operates all the central office facilities used by the DMHA. The primary purpose of the DLHA is to lend support DMHA.

Basis of Accounting

DMHA prepares its financial statements on the basis of accounting practices prescribed or permitted by HUD. The significant accounting policies of DMHA are indicated below.

Investments

Investments are comprised of certificates of deposit, and are stated at cost, which approximates fair value. For categorization purposes, certificates of deposits have been classified as cash equivalents as promulgated in Governmental Accounting Standards No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements." Homeownership reserve investments at year end consist of \$177,720 in certificates of deposit.

Debt Amortization Funds

Debt amortization funds consist of the amounts of Accrued Annual Contributions due from HUD in accordance with the terms and conditions of the Annual Contributions Contract.

Dayton Metropolitan Housing Authority

Notes to Financial Statements

Land, Structures and Equipment

Land, structures and equipment are stated at acquisition (historical) cost. Expenditures for maintenance and repairs are charged to expense in the period they are incurred while expenditures for renewals and betterments are generally capitalized. In accordance with HUD accounting procedures, no depreciation is recognized on the financial statements for structures and equipment.

Rental Income

Revenue from rentals is included in income as earned over the life of the lease and expenses are charged against such revenue as incurred.

Risk Management

DMHA maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. DMHA also maintains employee bonding and employee major medical coverage with private carriers. Employee dental coverage is provided through self-insurance (Note 10).

Effective November 1, 1998, DMHA entered into a joint insurance pool, Ohio Housing Authority Property & Casualty, Inc. (OHAPCI), with two other Ohio housing authorities. The pool covers property, general liability, law enforcement liability, automobile liability, crime liability, boiler and machinery and public officials liability up to the limits stated below. It is intended for the public purpose of enabling housing authorities to obtain insurance coverage, to provide methods for paying claims, and to provide for a formalized, jointly administered self-insurance fund for its members.

OHAPCI is a corporation governed by a board of trustees, consisting of a representative appointed by each of the member housing authorities. The board of trustees elect the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters, and the corporation maintains its own books of account. Budgeting and financing of OHAPCI is subject to the approval of the board. Currently, the participating housing authorities are Dayton, Akron, and Cincinnati.

The following is a summary of insurance coverage at year end:

| | |
|--|----------------------------------|
| Property and boiler and machinery | \$50,000,000 per location |
| General liability, law enforcement liability, public officials liability, automobile liability | \$5,000,000 per occurrence |
| Crime liability | up to \$1,000,000 per occurrence |

During the year, settled claims for DMHA did not exceed the coverage provided by OHAPCI.

Dayton Metropolitan Housing Authority

Notes to Financial Statements

Accumulated Unpaid Vacation

Accumulated unpaid vacation is not accrued. At June 30, 1999, management estimates that approximately \$481,500 in unpaid vacation leave has been accumulated by the employees of DMHA. All unpaid vacation will either be absorbed by time off from work or, within certain limitations, be paid to the employees.

Departures from Generally Accepted Accounting Principles

Various accounting policies of DMHA differ from generally accepted accounting principles. These differences are as follows:

1. Depreciation expense is not recognized for structures and equipment;
2. Interest expense is recorded when paid;
3. Vacation expense is recorded when paid; and
4. Bad debts are written-off using the Direct method.

Under generally accepted accounting principles, interest income should be recorded when earned, depreciation expense should be charged over the useful life of the respective structure or equipment, interest and vacation expense should be recognized as a liability when incurred, and bad debt should be written-off under the allowance method.

Use of Estimates

The preparation of financial statements in conformity 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash, Cash Equivalents and Investments

The Authority maintains cash, cash equivalents and investments, as follows:

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Dayton Metropolitan Housing Authority

Notes to Financial Statements

Statutes authorize DMHA to invest in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Bonds and other obligations of the State of Ohio; and
5. The State Treasurer's investment pool.

Deposits

At June 30, 1999, the carrying amount of the Authority's cash deposits was \$487,197 while the bank balance was \$1,576,780. The Authority also held \$10,050,071 in certificates of deposit at the period end. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$11,426,851 was uninsured but collateralized, as defined by the GASB, with securities held by the pledging financial institutions' Trust Departments or Agents in the name of DMHA.

3. Project Notes Payable and Fixed Liabilities

Project notes payable of \$20,062,180 at June 30, 1999, are due to HUD. The interest rate on these notes ranges from 5.750 to 8.125%.

Dayton Metropolitan Housing Authority
Notes to Financial Statements

To finance the development and construction of low rent housing projects, HUD has issued for DMHA the following long-term obligations:

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount</u> |
|---|--------------------------|--------------------------|---------------------|
| Dayton Metropolitan Housing Authority: | | | |
| 3rd Issue | 3.375 | 05/01/04 | \$ 5,810,000 |
| 4th Issue | 3.250 | 05/01/05 | 3,120,000 |
| 5th Issue | 4.875 | 05/01/09 | 1,585,000 |
| Ohio Group New Housing Authority Bonds: | | | |
| 3rd Issue | 5.000 | 05/01/12 | 11,851,213 |
| 5th Issue | 4.875 | 05/01/13 | 1,470,288 |
| 6th Issue | 5.258 | 07/01/09 | 2,022,637 |
| 7th Issue | 5.000 | 05/01/12 | <u>6,652,136</u> |
| | | | 32,511,274 |
| Bonds retired as of June 30, 1999 | | | <u>17,970,582</u> |
| | | | 14,540,692 |
| Net Housing Authority Bonds | | | <u>2,991,664</u> |
| Federal Financing Bank Bonds (6.6%) | | | |
| | | | <u>\$17,532,356</u> |

The annual contribution attributed to HUD and net revenues of DMHA are pledged as collateral on these bonds. The disclosure of debt amounts to be retired over each of the next five years is not presented as the information has not been supplied by HUD.

4. Uncompleted Contracts

At June 30, 1999, DMHA has uncompleted contracts in the amount of \$4,032,437 for modernization and extraordinary maintenance programs.

5. HUD Annual Contributions

In accordance with the Annual Contributions Contract, as amended, effective September 28, 1987, HUD now forgives project notes associated with development and modernization projects instead of providing annual contributions for debt requirements. DMHA adjusts their project notes, both principal and interest, to the amounts shown on the security ledger trial balance provided by HUD. HUD does, however, provide annual contributions for debt requirements associated with bonds and federal financing bank notes. The accounting for these items is performed by HUD, who provides DMHA with notices of total annual contributions, transmittal of funds to fiscal agents and corresponding bond payment schedules. DMHA records principal payments and expense in accordance with these notices.

Dayton Metropolitan Housing Authority

Notes to Financial Statements

6. Retirement Commitments

Plan Description: The Authority contributes to the Public Employees' Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The Public Employees' Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085.

Funding Policy: The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for employees other than law enforcement. The 1999 employer contribution rate for local government employer units was 13.55% of covered payroll. The Authority's total payroll and covered payroll for the year ended June 30, 1999 was \$8,437,674 and \$8,382,522 respectively. The Authority's contribution to PERS for the year ended June 30, 1999, was \$1,851,552, which consisted of \$713,755 from employees and \$1,137,797 from the Authority.

7. Other Postemployment Benefits

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement Number 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for local government employers was 13.55% of covered payroll; 5.11% was the portion that was used to fund health care for the year 1997. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The employer contributions actually made by the Authority to fund postemployment benefits during fiscal 1999 was \$428,347, based on the 1997 rate.

8. Deferred Compensation

Employees of the Authority may elect to participate in the Ohio Public Employees Deferred Compensation Program, created in accordance with Internal Revenue Code Section 457. Under this program, employees defer a portion of their pay until a later date, usually after retirement. The deferred pay and any income earned thereon is not subject to income taxes until actually received by the employee.

Dayton Metropolitan Housing Authority

Notes to Financial Statements

As of June 30, 1999, the market value of funds on deposit with this program was \$883,310. Market value for the program is based on reports provided by the program's administrator. Funds of the program are not subject to risk categorization due to the nature of the deposits. Under the terms of the Program Agreement, these monies are solely the property of the Authority (until paid or made available to the employee or other beneficiary), subject only to the claims of the Authority's general creditors. Participants' rights under the program are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant.

Management is of the opinion based on the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

9. Self-Funded Health Benefits

DMHA is self-insured for employee dental coverage. Approximately \$136,000 is accrued at year-end to cover any costs incurred relating to fiscal year 1999 that were not yet paid.

10. Contingent Liabilities

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's attorney that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

Dayton Metropolitan Housing Authority
Supplemental Schedule of the Dayton Local Housing Authority Assets, Liabilities
and Surplus
As of June 30, 1999

Assets

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 42,475 |
| Investments | 978,270 |
| Land, structures and equipment, net accumulated depreciation of \$722,138 | <u>1,869,601</u> |
| Total assets | <u>\$ 2,890,346</u> |

Liabilities and Surplus

| | |
|-------------------------------|---------------------|
| Accounts payable - trade | \$ 353 |
| Surplus | <u>2,889,993</u> |
| Total liabilities and surplus | <u>\$ 2,890,346</u> |

Dayton Metropolitan Housing Authority
Supplemental Schedule of Combining Income and Expenses
For the year ended June 30, 1999

| | PHA Owned Housing C-926 | Housing Asst Payments C-5023 | Homeownership C-926 | Drug Elimination Program C-926 | Turnkey III Homeownership C-926 | Job-Plus | Dayton Local Housing Authority | Total |
|-------------------------------------|-------------------------------|------------------------------------|------------------------|--------------------------------------|---------------------------------------|------------|--------------------------------------|-----------------|
| Operating Income | | | | | | | | |
| Rental | \$ 5,721,056 | | \$ 77,704 | | \$ 1,275 | \$ | \$ 8,977 | \$ 5,809,012 |
| Interest | 403,582 | \$ 30,451 | 9,625 | | 206,441 | | 86,893 | 736,992 |
| Other | 982,363 | 18,546 | 5,940 | | | \$ 348,080 | | 1,354,929 |
| Total operating income | 7,107,001 | 48,997 | 93,269 | | 207,716 | 348,080 | 95,870 | 7,900,933 |
| Operating expenses | | | | | | | | |
| Administration | 3,591,261 | 804,389 | 29,765 | \$ 2 | 189,206 | 127,434 | 22,919 | 4,764,976 |
| Tenant services | 503,183 | 1,985 | (129) | 242,139 | 4,901 | 108,386 | | 860,465 |
| Utilities | 3,131,169 | 21,054 | 5,923 | | 3,322 | | | 3,161,468 |
| Ordinary maintenance/operation | 4,661,584 | 77,644 | 61,618 | | 38,077 | 89 | 937 | 4,839,949 |
| Protective services | 392,105 | 1,913 | 253 | 610,362 | 381 | | | 1,005,014 |
| General expense | 2,710,396 | 232,248 | 34,164 | 11,387 | 22,263 | 24,863 | 149,256 | 3,184,577 |
| Nonroutine maintenance | 520,266 | | | | 513,666 | | | 1,033,932 |
| Housing assistance payments | | 11,350,560 | | | | | | 11,350,560 |
| Independent Public Accountant costs | 21,454 | 12,580 | 170 | | | | | 34,204 |
| Total operating expenses | 15,531,418 | 12,502,373 | 131,764 | 863,890 | 771,816 | 260,772 | 173,112 | 30,235,145 |
| Net operating loss | (8,424,417) | (12,453,376) | (38,495) | (863,890) | (564,100) | 87,308 | (77,242) | (22,334,212) |
| Other income (charges) | | | | | | | | |
| Interest on notes/bond payable | (951,264) | | | | | | | (951,264) |
| Loss on disposal of equipment | (132,801) | | | | | | | (132,801) |
| Prior year adjustments | 5,745 | 74,854 | | | 234,382 | | | 314,981 |
| Current year adjustments | (6,273,119) | | | (65,030) | | | | (6,338,149) |
| Total other income (charges) | (7,351,439) | 74,854 | | (65,030) | 234,382 | | | (7,107,233) |
| Net loss | \$ (15,775,856) | \$ (12,378,522) | \$ (38,495) | \$ (928,920) | \$ (329,718) | \$ 87,308 | \$ (77,242) | \$ (29,441,445) |

Dayton Metropolitan Housing Authority
Supplemental Schedule of Adjusting Journal Entries
For the year ended June 30, 1999

| | <u>Report Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Ledger Posting Account</u> |
|---|--------------------------------------|--------------|---------------|---------------------------------------|
| <u>PHA Owned Housing</u> | | | | |
| Unreserved Surplus | | \$ 6,273,119 | | |
| (Interest Expense 5610) | 2810 | | | 6020.00 |
| Interest Payable | 2131 | | \$ 6,273,119 | 2131.00 |
| To adjust accrued interest at actual at June 30, 1999 | | | | |
| Land, Structures and Equipment | 1465/7520 | \$ 65,525 | | - |
| Accounts Payable-Trade | 2111 | | \$ 65,525 | - |
| To adjust for invoices received after June 30, 1999 | | | | |
| <u>Drug Elimination Program</u> | | | | |
| Unreserved Surplus | | \$ 65,030 | | N/A |
| (Protective Services) | 4480 | | | |
| Accounts Payable-Trade | 2111 | | \$ 65,030 | - |
| To adjust for invoices received after June 30, 1999 | | | | |
| <u>Comprehensive Grant Program</u> | | | | |
| Land, Structures and Equipment | 1430 | \$ 63,524 | | - |
| Accounts payable - Trade | 2111 | | \$ 63,524 | - |
| To adjust for invoices received after June 30, 1999 | | | | |

Dayton Metropolitan Housing Authority
Schedule of Expenditures of Federal Awards
For the year ended June 30, 1999

| Federal Grantor/Program Title | Catalog of Federal Domestic Assistance Number | Funds Received | Funds Expended |
|--|---|----------------------|----------------------|
| U.S. Department of Housing and Urban Development: | | | |
| Low-Income Housing - PHA Owned and Leased | 14.850 | \$ 7,549,038 | \$ 16,408,696 |
| Comprehensive Grant Program | 14.859 | 4,402,852 | 5,660,796 |
| Moderate Rehabilitation | 14.856 | 3,405,743 | 3,648,036 |
| Rental Vouchers | 14.855 | 2,172,508 | 2,275,448 |
| Certificates | 14.857 | 6,505,313 | 6,508,682 |
| Public Housing Drug Elimination Program | 14.854 | 671,504 | 875,929 |
| Low-Income Housing-Home Ownership | 14.851 | - | 131,765 |
| Economic Development and Support Program (EDSS) | 14.000 | - | 31,285 |
| Total Federal Financial Assistance | | \$ 24,706,958 | \$ 35,540,637 |

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

Dayton Metropolitan Housing Authority
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 1999

1. Basis of Presentation

The accompanying Schedule of Federal Financial Assistance has been prepared using the cash basis of accounting in accordance with the format as set forth in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, *Audits of State and Local Governments*.

Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

Compliance

We have audited the compliance of the Dayton Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the provisions of the *Public and Indian Housing Compliance Supplement* dated May 29, 1996 that are applicable to each of its major federal programs for the year ended June 30, 1999. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and *Public and Indian Housing Compliance Supplement* dated May 29, 1996. 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio
Page 21

In our opinion, the 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, 1999.

Internal Control Over Compliance

The management of the 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* and *The Public and Indian Housing Compliance Supplement*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure 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 solely for the information of the Board of Commissioners and management of the Authority, the Department of Housing and Urban Development and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specific parties.

Private Inmate Casper LLP

Dayton, Ohio
November 8, 1999

**Report of Independent Accountants on Compliance and on Internal Control over
Financial Reporting Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio

We have audited the financial statements of the Dayton Metropolitan Housing Authority (the Authority) as of and for the year ended June 30, 1999, and have issued our report thereon dated November 8, 1999. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the applicable requirements of the *U.S. Department of Housing and Urban Development Audit Guide for Audits of Public Housing Agencies and Indian Housing Authorities by Independent Public Accountants*.

Compliance

As part of obtaining reasonable assurance about whether the 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* or the *U.S. Department of Housing and Urban Development Audit Guide for Audits of Public Housing Agencies and Indian Housing Authorities by Independent Public Accountants*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over the 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

Board of Commissioners
Dayton Metropolitan Housing Authority
Dayton, Ohio
Page 23

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 material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Authority in a separate letter dated November 8, 1999.

This report is intended solely for the information of the Board of Commissioners and management of the Authority, the Department of Housing and Urban Development and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Priscilla M. Cooper LLP

Dayton, Ohio
November 8, 1999

Dayton Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
For the year ended June 30, 1999

I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financing reporting:

*Material weaknesses identified? yes X no
 *Reportable conditions identified
 that are not considered to be
 material weaknesses? yes X none reported

Noncompliance material to financial
 statements noted? yes X no

Federal Awards

Internal control over major programs:
 *Material weaknesses identified? yes X no
 *Reportable conditions identified
 that are not considered to be material
 weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are
 required to be reported in accordance
 with section 510 (a) of Circular A-133? yes X no

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Grantor</u> |
|---------------------|--|
| 14.856, 14.859 | U.S. Department of Housing and Urban Development |

Dollar threshold used to distinguish
 between type A and type B programs: \$1,066,219

Auditee qualified as low-risk auditee? X yes no

Dayton Metropolitan Housing Authority
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 1999

II. Financial Statement Findings:

No items noted.

III. Findings and Questioned Costs:

No items noted.

IV. Summary Schedule of Prior Auditing Findings:

No findings reported in prior audit report.

Report of Independent Accountants

Our report on the audit of the financial statements of Dayton Metropolitan Housing Authority as of June 30, 1999 and for the year then ended is presented in the first section of this document. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Year 2000 Issue on page 27 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by TB 98-1, as amended, are not sufficiently specific and therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that Dayton Metropolitan Housing Authority is or will become year 2000 compliant, that Dayton Metropolitan Housing Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Dayton Metropolitan Housing Authority does business are or will become year 2000 compliant.

PricewaterhouseCoopers LLP

Dayton Metropolitan Housing Authority
Supplementary Information
Year 2000 Issue
For the year ended June 30, 1999

The Year 2000 issue is the result of shortcomings in the many electronic data processing systems and other electronic equipment that may adversely affect the Dayton Metropolitan Housing Authority operations.

As of June 30, 1999, Dayton Metropolitan Housing Authority (DMHA) has inventoried its mission-critical computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting DMHA's operations. Based on this inventory, DMHA determined that no further remediation or system testing was required.

To the best of management's knowledge and belief, as of (opinion date), DMHA experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom DMHA does business may also experience Year 2000 readiness issues that are as yet, unknown.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

DAYTON METROPOLITAN HOUSING AUTHORITY

MONTGOMERY 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.

By: Susan Babbitt

Date: APRIL 11, 2000