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LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO

FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

YEAR ENDED JUNE 30, 1999

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO

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LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO

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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
Lucas Metropolitan Housing Authority
Toledo, Ohio

We have reviewed the Independent Auditor's Report of the Lucas Metropolitan Housing Authority, Lucas County, prepared by Weber O'Brien, LTD, 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 Lucas Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

February 11, 2000



INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Lucas Metropolitan Housing Authority
435 Nebraska Ave.
Toledo, Ohio 43602

We have audited the accompanying balance sheet of the Lucas Metropolitan Housing Authority (Authority) as of June 30, 1999, and the related statements of revenues, expenses and equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 1999 on our consideration of the Authority's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Board of Commissioners
Lucas Metropolitan Housing Authority
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The Year 2000 information on page 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Walter O'Brien, LTD.

November 24, 1999

LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 BALANCE SHEET
 JUNE 30, 1999

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 3,237,542
Investments	8,761,105
Intergovernmental Receivables	690,841
Tenant Receivables - Net of \$76,772 Allowance For Doubtful Accounts	188,929
Interest Receivable	163,508
Inventory	499,997
Prepaid Expenses	301,363
Total Current Assets	13,843,285

Restricted Investments	1,353,134
Work in Process	6,776,025
Property and Equipment - Net of \$67,890,680 Accumulated Depreciation	68,222,302
Other Assets	119,239

TOTAL ASSETS	\$ 90,313,985
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 841,045
Security and Other Trust Deposits	717,509
Accrued Wages and Payroll Taxes	282,736
Accrued Compensated Absences	1,131,065
Other Current Liabilities	83,087
TOTAL LIABILITIES	3,055,442

EQUITY

Contributed Capital	74,998,327
Retained Earnings	12,260,216
TOTAL EQUITY	87,258,543

TOTAL LIABILITIES & EQUITY	\$ 90,313,985
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"SEE INDEPENDENT AUDITORS' REPORT"

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

LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 STATEMENT OF REVENUE, EXPENSE AND EQUITY
 FOR THE YEAR ENDED JUNE 30, 1999

<u>REVENUE</u>	
HUD Grants	\$ 25,478,240
Rental Income	5,238,316
Interest Income	424,524
Proceeds From Sale of Homes	355,494
Other Income	456,369
TOTAL REVENUE	<u>31,952,943</u>
<u>EXPENSES (Before Depreciation)</u>	
Housing Assistance Payments	14,912,581
Utilities	3,104,926
Material & Labor	2,884,317
Administrative Salaries	2,778,600
Employee Benefits	1,468,283
Contract Services	1,380,625
Sundry Administration	1,140,424
General	1,031,365
Resident Services	921,528
Cost of Homes Sold	274,999
Nonroutine Maintenance	101,650
Protective Service	45,574
TOTAL EXPENSES (Before Depreciation)	<u>30,044,872</u>
<u>INCOME BEFORE DEPRECIATION</u>	1,908,071
Depreciation	<u>6,082,216</u>
<u>NET LOSS</u>	(4,174,145)
Retained Earnings - Beginning of Year:	
As Previously Reported	112,566,220
Prior Period Adjustment	(96,131,859)
As Restated	<u>16,434,361</u>
Retained Earnings - End of Year	<u>12,260,216</u>
Contributed Capital - Beginning of Year:	
As Previously Reported	-0-
Prior Period Adjustment	72,713,135
As Restated	72,713,135
HUD Capital Contributions	2,285,192
Contributed Capital - End of Year	<u>74,998,327</u>
TOTAL EQUITY - END OF YEAR	<u>\$ 87,258,543</u>

"SEE INDEPENDENT AUDITORS' REPORT"

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LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 1999

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Net Loss	(\$4,174,145)
Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities:	
Depreciation	6,082,216
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
Receivables	139,878
Inventory	113,283
Prepaid Expenses	(48,975)
Accounts Payable	(1,230,547)
Accrued Wages and Related Liabilities	136,620
Deferred Rent and Other Current Liabilities	(172,162)
Security and Other Trust Deposits	<u>159,724</u>
Total Adjustments	<u>5,180,037</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 1,005,892
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Proceeds from HUD Capital Contributions	<u>2,285,192</u>
 NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 2,285,192
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Property and Equipment	(3,608,064)
Proceeds from the Sale of Investments	6,270,970
Purchase of Investments	(6,837,935)
 NET CASH USED IN INVESTING ACTIVITIES	 (4,175,029)
 <u>DECREASE IN CASH AND CASH EQUIVALENTS</u>	 (883,945)
Cash and Cash Equivalents- Beginning of Year	<u>4,121,487</u>
 <u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	 <u>\$3,237,542</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Cash and Cash Equivalents

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

Tenant Receivables - Recognition of Bad Debts

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

Inventory

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

Property and Equipment

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

Depreciation is recorded on the straight-line method.

Long-Term Debt

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

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments

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

Restricted Investments

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

NOTE 2 - CASH AND INVESTMENTS

Cash

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

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

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

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

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

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 2 - CASH AND INVESTMENTS, Continued

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

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

- Category 1. \$ 100,000 was covered by federal depository insurance.
- Category 3. \$3,871,373 was covered by collateral held by the pledging financial institution, but not in the name of the Authority.

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

Investments

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

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 1999

NOTE 2 - CASH AND INVESTMENTS, Continued

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

The Authority's investments, except Star Ohio, are all Category A and consist of the following:

<u>INVESTMENT</u>	<u>CATEGORY A</u>	<u>CARRYING AMOUNT</u>
Cash	1,479,706	1,479,706
Government Securities	4,569,789	4,569,789
Certificate of Deposit	143,399	143,399
Commercial Paper	3,315,773	3,315,773
Star Ohio		<u>605,572</u>
Total Investments (including restricted)		<u>10,114,239</u>

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 1999, by class is as follows:

Buildings and Building Improvements	\$118,804,157
Land and Land Improvements	14,312,649
Furniture and Fixtures, Equipment and Moving Vehicles	<u>2,996,176</u>
Total	136,112,982
Less Accumulated Depreciation	(<u>67,890,680</u>)
Net Property and Equipment	\$ <u>68,222,302</u>

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 4 - ADMINISTRATIVE FEE

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

A. Certificates, Vouchers and Moderate Rehabilitation:

First 600 units per month - \$41.56/unit
Each additional unit over 600 - \$38.80/unit

B. New Construction:

All units - 3.0% or approximately \$24.00/unit

NOTE 5 - ALLOCATION OF COSTS

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

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 1998 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to P.E.R.S. for the years ending June 30, 1999, 1998 and 1997 were \$777,148, \$734,628, and \$691,811, respectively. All required contributions were made prior to each of those fiscal year ends.

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS, Continued

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1998.

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

PERS expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

Effective January 1, 1998, the Retirement Board adopted a new calculation method for determining employer contributions, equal to 4.2% of member covered payroll, to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

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

NOTE 7 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by agreement between the Authority and the American Federation of State, County and Municipal Employees, AFL-CIO, for members of the bargaining unit, and by personnel policy for management employees not covered by the labor agreement.

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 7 - COMPENSATED ABSENCES, Continued

For both union and non-union employees, these agreements provide for two weeks of paid vacation after one year of service, with an additional week for every five years of service thereafter, to a maximum of six weeks per year. Vacation time relating to a maximum of two years of service may be accumulated before it is lost.

For union personnel, the labor agreement provides for sick leave pay to be credited at a rate of eight hours per month, up to a maximum of 249 days. By limiting the use of sick leave during the fiscal year, an employee may elect to receive either bonus attendance time - to a maximum of five days - or an incentive bonus - to a maximum of \$500.

For union personnel, in the event of termination of employment after ten consecutive years of service, or due to retirement, such employees are entitled to receive payment for one half of their accumulated sick leave, up to a maximum of 102 days. The employee is also entitled to receive payment for any accumulated and unused vacation time. In the event of the death of an employee, the designated beneficiary shall receive such payments.

For employees not covered under the labor agreement, sick leave pay accumulates at the rate of eight hours per month, up to a maximum of 220 days. If sick leave hours are not used during the fiscal year, bonus hours can be earned up to a maximum of five days and can be used as vacation or an employee may elect to receive an incentive bonus.

For employees not covered under the labor agreement, in the event of termination of employment after five consecutive years of service, or due to retirement, such employees are entitled to receive payment for one half of their accumulated sick leave, up to a maximum of 110 days. The employee is also entitled to receive payment for any accumulated and unused vacation time. In the event of the death of an employee, the designated beneficiary shall receive such payments.

All employees become eligible for longevity pay at the end of five years of service at which time, longevity pay begins to accrue from their anniversary date on.

At June 30, 1999, \$1,131,065 of vested vacation, sick leave, and longevity was accrued by the Authority, for both union and non-union personnel. Nonvested amounts have not been accrued as the amounts are not material to the financial statements.

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 8 - CHANGE IN BASIS OF ACCOUNTING

Effective July 1, 1998, the Authority early-adopted the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP). HUD will require GAAP basis financial statements beginning with fiscal 2000. Equity as of July 1, 1998 has been reduced by \$23,418,724 to retroactively reflect this change in accounting. The adjustment is made up of a reduction of \$96,131,859 to beginning retained earnings and an increase of \$72,713,135 to beginning contributed capital.

The prior period adjustment of \$96,131,859 to retained earnings is made up of the following amounts:

(\$34,700,000)	Reduce Recorded Value of Fixed Assets to GAAP Capitalized Costs
(61,800,000)	Record Accumulated Depreciation as of July 1, 1998
<u>368,141</u>	Other
(\$96,131,859)	

The prior period adjustment of \$72,713,135 increasing contributed capital is made up of the following amounts:

\$ 5,739,889	To Record Beginning Contributed Capital on Fixed Assets
47,224,545	Remove HUD Direct and Guaranteed Debt
<u>19,748,701</u>	Remove Related Accrued Interest
\$72,713,135	

NOTE 9 - INSURANCE

The Housing Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 10 - CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at June 30, 1999.

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At June 30, 1999 the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Expenditures For the Year Ended June 30, 1999</u>
<u>U.S. Department of HUD</u>					
Direct Programs:					
Low Income Public Housing	14.850	C-5005	06/30/99	\$ 7,448,409	\$ 7,448,409
<i>Lower Income Cluster:</i>					
Lower Income Housing Assistance Program - Certificates	14.857	C-5035	06/30/99	9,559,888	9,559,888
Lower Income Housing Assistance Program - Voucher	14.855	C-5035	06/30/99	1,814,186	1,814,186
Lower Income Housing Assistance Program - Moderate Rehabilitation	14.856	C-5035	06/30/99	602,734	602,734
Lower Income Housing Assistance Program - New Construction	14.182	C-5035	06/30/99	4,321,233	4,321,233
Comprehensive Grants Programs	14.852	C-5005	06/30/99	14,637,002	2,848,801
Service Coordinator Program	14.854	OH12ESC 00600195	09/29/95 - 09/29/99	675,000	210,132
Public and Indian Housing Drug Elimination Program	14.854	OH12DEP 00697	12/02/97 - 12/02/00	813,540	266,504
Public and Indian Housing Drug Elimination Program	14.854	OH12DEP 00698	01/01/99- 12/22/01	814,838	9,049
Public and Indian Housing Drug Elimination Program	14.854	OH12DEP 00696	11/04/96 - 05/18/99	792,000	227,401
Economic Development Program	14.854	OH12EDS 0060197	02/05/98 - 02/05/01	<u>500,000</u>	<u>86,407</u>
Total Federal Assistance				<u>\$41,978,830</u>	<u>\$27,394,744</u>

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

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
 YEAR ENDED JUNE 30, 1999

	Low Rent	Home Ownership	Rental Certificates Program	Rental Voucher Program	Moderate Rehabilitation	New Construction	Resident Service Grants	Other	Total
REVENUE									
HUD Grants	\$ 7,967,503	\$ 78,384	\$ 9,600,844	\$ 1,840,452	\$ 602,734	\$ 4,554,251	\$ 834,072	\$ -	\$ 25,478,240
Rental Income	5,088,280	43,172	0	0	0	0	0	106,864	5,238,316
Interest Income	286,439	-	34,009	9,890	1,503	65,500	-	27,183	424,524
Proceeds From Sale of Homes	-	355,494	-	-	-	-	-	-	355,494
Other Income	91,162	-	42,775	8,455	747	230,168	-	83,062	456,369
TOTAL REVENUE	13,433,384	477,050	9,677,628	1,858,787	604,984	4,849,919	834,072	217,109	31,952,943
EXPENSES									
HAP	-	-	8,493,018	1,581,438	553,846	4,284,279	-	-	14,912,581
Utilities	3,046,979	11,556	31,459	7,728	1,831	5,373	-	-	3,104,926
Material & Labor	2,801,637	873	14,654	3,600	853	2,502	-	198	2,884,317
Administrative Salaries	1,809,715	71,779	616,968	151,554	-	105,366	-	23,218	2,778,600
Employee Benefits	1,185,923	21,734	172,544	42,384	10,042	29,467	-	6,189	1,468,263
Contract	1,272,141	5,866	5,860	1,439	341	1,001	65,934	27,953	1,380,625
Sundry Administration	741,994	23,019	226,691	55,799	48,864	37,996	-	6,062	1,140,424
General	851,222	26,239	55,715	14,482	2,396	12,219	11,647	57,445	1,031,365
Resident Services	118,217	-	-	-	-	-	803,311	-	921,528
Cost of Homes Sold	-	274,969	-	-	-	-	-	-	274,969
Nonroutine Maintenance	72,414	29,236	-	-	-	-	-	-	101,650
Protective Service	42,733	1,189	110	27	6	19	-	1,490	45,574
TOTAL EXPENSES	12,002,975	466,580	9,617,019	1,858,451	618,179	4,478,221	880,892	122,555	30,044,872
INCOME BEFORE DEPRECIATION	1,430,409	10,470	60,609	346	(13,195)	371,698	(46,820)	94,554	1,908,071
Depreciation	6,082,216	-	-	-	-	-	-	-	6,082,216
INCOME (LOSS)	\$ (4,651,807)	\$ 10,470	\$ 60,609	\$ 346	\$ (13,195)	\$ 371,698	\$ (46,820)	\$ 94,554	\$ (4,174,145)

"SEE INDEPENDENT AUDITORS' REPORT"

LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 SCHEDULE OF UNITS UNDER MANAGEMENT
 JUNE 30, 1999

The PHA had 6,524 units under management.

<u>Management</u>	<u>Units</u>
PHA Owned Housing	3,090
PHA Homeownership	
OH6-24	1
OH6-27	1
OH6-29	1
OH6-34	3
OH6-39	5
Certificates	2,246
Moderate Rehabilitation	
OH12-K006-004	110
Voucher	469
New Construction	
OH12-O009-003	120
OH12-A007-010	159
OH12-O014-044	40
OH12-A007-019	229
OH12-O016-003	30
OH12-O016-004	<u>20</u>
	<u>6,524</u>

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
REQUIRED SUPPLEMENTAL INFORMATION - YEAR 2000 ISSUE (UNAUDITED)
YEAR ENDED JUNE 30, 1999

The Year 2000 Issue is the result of shortcomings in many computerized systems which can adversely affect operations.

The Lucas Metropolitan Housing Authority has determined the systems which must be addressed to include the preparation and reporting of: financial statements, payroll and employee benefits, tenant accounting transactions, budgets, and related support programs.

The Lucas Metropolitan Housing Authority has completed an extensive search to assure it's computerized systems and equipment needed to conduct Authority operations are not affected by this issue.

The Authority completed a conversion of its computer systems. The entire package; (hardware and software) purchased from Memory Lane Systems, Inc. of Petoskey, MI with a \$1,000,000 contract, was expected to be operational on or before December 31, 1999, and was certified by the vendor to be Year 2000 compliant. Remediation was completed, and validation and testing of these systems have yet to be completed.

The U.S. Department of Housing and Urban Development (HUD) distributes a substantial sum of money to the Authority in the form of federal subsidies. HUD is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Authority is or will be Year 2000 ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be Year 2000 ready.



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

To the Board of Commissioners
Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43602

We have audited the financial statements of Lucas Metropolitan Housing Authority as of and for the year ended June 30, 1999, and have issued our report thereon dated November 24, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Lucas Metropolitan Housing Authority
Page Two

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Lucas Metropolitan Housing Authority in a separate letter dated November 24, 1999.

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

Walter D. Zita, CPA

November 24, 1999



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

To the Board of Commissioners
Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43602

Compliance

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

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

In our opinion, Lucas Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Lucas Metropolitan Housing Authority in a separate letter dated November 24, 1999.

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

Wesley D. Bacon, CPA.

November 24, 1999

LUCAS METROPOLITAN HOUSING AUTHORITY
 TOLEDO, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 1999

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Reportable condition(s) identified not considered
 to be material weaknesses? yes none reported
 Noncompliance material to financial statements
 noted? yes no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes no
 Reportable conditions(s) identified not
 considered to be material weaknesses? yes none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.857	Housing Assistance Program - Certificates
14.855	Housing Assistance Program - Vouchers
14.856	Housing Assistance Program - Moderate Rehabilitation
14.182	Housing Assistance Program - New Construction

Dollar threshold used to distinguish between
 Type A and Type B programs: \$821,843

Auditee qualified as low risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

LUCAS METROPOLITAN HOUSING AUTHORITY
TOLEDO, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999

NONE



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

LUCAS METROPOLITAN HOUSING AUTHORITY

LUCAS 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: MARCH 2, 2000