



**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
ZANESVILLE, OHIO**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

Twelve Months ended June 30, 1999

**Jones, Cochenour & Co.
Certified Public Accountants
125 West Mulberry Street
Lancaster, Ohio 43130**



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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
Zanesville Metropolitan Housing Authority
Zanesville, Ohio

We have reviewed the Independent Auditor's Report of the Zanesville Metropolitan Housing Authority, Muskingum County, prepared by Jones, Cochenour & Co., 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 Zanesville 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 large, stylized flourish.

JIM PETRO
Auditor of State

January 4, 2000



INDEPENDENT AUDITORS' REPORT

Board of Directors
Zanesville Metropolitan Housing Authority
Zanesville, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of Zanesville Metropolitan Housing 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 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.

As described in Note 1, the Authority's policy is to prepare its financial statements on the basis of accounting practices prescribed or permitted by the Department of Housing and Urban Development. This is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Zanesville Metropolitan Housing Authority as of June 30, 1999, and the results of its operations, analysis of surplus and cash flows for the year then ended, on the basis of accounting described above.

In accordance with *Government Auditing Standards* and the *PIH Compliance Supplement for Audits of Public Housing Agencies and Indian Housing Authorities* (the "Guide") issued by the Department of Housing and Urban Development, Office of the Inspector General, we have also issued a report dated November 22, 1999 on our consideration of Zanesville Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The year 2000 supplementary data 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 inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Authority is or will become year 2000 compliant, the Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become year 2000 compliant. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of Zanesville Metropolitan Housing Authority. Such 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.

Jones, Cochenour & Co.
November 22, 1999

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Statement of Assets, Liabilities and Surplus
June 30, 1999

Exhibit A-1

	Annual Contribution Contract	
	PH C-971	Section 8 C-5071
<u>Assets</u>		
Cash	\$ 240,928	\$ 145,544
Accounts receivable - tenants	2,888	-
Accounts receivable - HUD	-	74,498
Investments	1,228,023	42,204
Deferred charges	273,236	-
Land, structures and equipment	30,227,919	34,323
Undistributed debits	504	1,501
TOTAL ASSETS	\$ 31,973,498	\$ 298,070
 <u>Liabilities and Surplus</u>		
Accounts payable	\$ 2,576	\$ -
Accounts payable - other	44,111	-
Tenant security deposits	95,321	-
Notes payable	12,283,032	-
Accrued liabilities	2,755,977	42,204
Deferred credit	8,441	-
TOTAL LIABILITIES	15,189,458	42,204
Surplus - Exhibit D-2	16,784,040	255,866
TOTAL LIABILITIES AND SURPLUS	\$ 31,973,498	\$ 298,070

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Statement of Income and Expenses - PHA Owned Housing
Twelve Months Ended June 30, 1999

Exhibit B-1

Annual Contributions Contract C-971

Operating Income

Rental income	\$ 1,087,794
Interest on general fund investments	59,175
Other income	<u>26,798</u>

Total Operating Income - Exhibit E-1 1,173,767

Operating Expenses

Administration	311,381
Tenant services	5,339
* Utilities	485,489
* Ordinary maintenance and operations	646,022
* General expenses	328,139
* Protective services	766
* Nonroutine maintenance	<u>2,654</u>

Total Operating Expenses - Exhibit E-1 1,779,790

Net Operating Loss - Exhibit C-1 and Exhibit D-1 \$ 606,023

* Overbudget

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended June 30, 1999

Exhibit B-2

Annual Contributions Contract C-5071

Project OH 009 CE

Operating Income

Interest on operating reserve investments	\$ 1,892
Interest on general fund investments	193
Other income	<u>1,482</u>

Total Operating Income - Exhibit E-3 3,567

Operating Expenses

Administrative expenses	104,941
Independent public accountant costs	1,369
Housing and utilities assistance payments	905,932
FSS Coordinator	<u>26,066</u>

Total Operating Expenses - Exhibit E-3 1,038,308

Net Operating Loss - Exhibit C-1 and D-1 \$ 1,034,741

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended June 30, 1999

Exhibit B-3

Annual Contributions Contract C-5071

Project OH 009 VO

Operating Income

Interest on general fund investments	\$ 67
Other income	<u>719</u>
Total Operating Income - Exhibit E-5	786

Operating Expenses

Administrative expenses	54,140
Independent public accountant costs	528
Housing and utilities assistance payments	<u>308,662</u>
Total Operating Expenses - Exhibit E-5	<u>363,330</u>

Net Operating Loss - Exhibit C-1 and D-1	<u>\$ 362,544</u>
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Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended June 30, 1999

Exhibit B-4

Annual Contributions Contract C-5071

Project OH 009 NC 0068

Operating Income

Interest on operating reserve investment	\$ 1,876
Interest on general fund investment	168
Other income	<u>100</u>

Total Operating Income - Exhibit E-7 2,144

Operating Expenses

Administrative expenses	29,833
Independent public accountant costs	437
Housing and utilities assistance payments	<u>429,321</u>

Total Operating Expenses - Exhibit E-7 459,591

Net Operating Loss - Exhibit C-1 and D-1 \$ 457,447

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Statement of Cash Flows
Twelve Months Ended June 30, 1999

Exhibit C-1

	C-971	C-5071
Cash Flows From Operating Activities		
Net Operating Loss - Exhibit B-1, B-2, B-3 and B-4	\$ (606,023)	\$ (1,854,732)
Unfound variance	-	(458)
Prior period adjustment	(8,629)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	570	2,280
Undistributed debits	(389)	-
Deferred charges	41,315	-
Increase (decrease) in:		
Accounts payable	(94,067)	(2,197)
Accrued liabilities	25,714	19,071
Tenant security deposits	8,917	-
Deferred credit	(9,855)	-
Net Cash Used In Operating Activities	(642,447)	(1,836,036)
Cash Flows From Capital and Related Financing Activities:		
HUD grant funds	1,416,875	-
Contributions from HUD	840,452	1,891,600
Proceeds from sale of equipment	1,380	-
Investment activity	(156,104)	(19,071)
Land, structures and equipment activity	(1,459,975)	(1,740)
Net Change in Cash	181	34,753
Cash at Beginning of Year	240,747	110,791
Cash at End of Year - Exhibit A-1	\$ 240,928	\$ 145,544

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Analysis of Surplus
Twelve Months Ended June 30, 1999

Exhibit D-1

	Annual Contribution Contract	
	C-971	C-5071
<u>Unreserved Surplus</u>		
Balance at June 30, 1998	\$ (25,162,985)	\$ (18,540,621)
Adjustment for Leased Housing	200,928	
Prior period adjustment	(8,629)	
Net loss for year		
PHA Owned Housing - Exhibit B-1	(606,023)	
Housing Assistance Payment Program		
Existing - Exhibit B-2		(1,034,741)
Voucher - Exhibit B-3		(362,544)
New Construction - Exhibit B-4		(457,447)
(Provision for) reduction of operating reserve		
PHA Owned Housing - Exhibit E-1	(189,133)	
Housing Assistance Payment Program		
Existing - Exhibit E-3		(41,170)
Voucher - Exhibit E-5		(1,438)
New Construction - Exhibit E-7		5,740
(Provision for) reduction of project amount unfunded		
Housing Assistance Payment Program		
Existing - Exhibit E-2		34,858
Voucher - Exhibit E-4		(85,249)
New Construction - Exhibit E-6		8,959
Loss on disposition	(28,440)	
Unfound variance	217	(458)
F.F.B. note interest	(77,551)	
Balance at June 30, 1999	(25,871,616)	(20,474,111)
<u>Reserved Surplus - Operating Reserve</u>		
<u>PHA Owned Housing</u>		
Balance at June 30, 1998	1,385,538	
Provision for operating reserves	189,133	
Adjustment for Leased Housing	(200,928)	
Balance at June 30, 1999	1,373,743	

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Analysis of Surplus
 Twelve Months Ended June 30, 1999

Exhibit D-2

	Annual Contribution Contract	
	C-971	C-5071
<u>Reserved Surplus - Operating Reserve</u>		
<u>Housing Assistance Payment Program</u>		
Balance at June 30, 1998		\$ 159,120
Provision for (reduction of) operating reserve		
Housing Assistance Payment Program		
Existing - Exhibit E-3		41,170
Voucher - Exhibit E-5		1,438
New Construction - Exhibit E-7		(5,740)
Balance at June 30, 1999		195,988
<u>Housing Assistance Payment Program - Project</u>		
<u>Account - Unfunded</u>		
Balance at June 30, 1998		765,726
Provision for (reduction of) project amount		
Housing Assistance Payment Program		
Existing - Exhibit E-2		(34,858)
Voucher - Exhibit E-4		85,249
New Construction - Exhibit E-6		(8,959)
Balance at June 30, 1999		807,158
<u>Cumulative HUD Contributions</u>		
Balance at June 30, 1998	25,720,754	17,835,231
Operating subsidies for the year		
PHA Owned Housing - Exhibit E-1	840,452	
F.F.B. Annual Activity	123,851	
Housing Assistance Payment Program -		
Existing - Exhibit E-3		1,075,911
Voucher - Exhibit E-5		363,982
New Construction - Exhibit E-7		451,707
Balance at June 30, 1999	26,685,057	19,726,831
<u>Cumulative HUD Grants</u>		
Balance at June 30, 1998	13,179,981	-
Grant additions	1,416,875	-
Balance at June 30, 1999	14,596,856	-
Total Surplus at June 30, 1999 - Exhibit A-1	\$ 16,784,040	\$ 255,866

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Concentration of Credit Risk

The Zanesville Metropolitan Housing Authority (the "Authority") was created under the Ohio Revised Code, Section 3735.27. The authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies to operate.

Method of Accounting

The Authority's policy is to maintain its accounting records on the modified cash basis, in accordance with accounting practices prescribed by the Department of Housing and Urban Development. The Authority does not depreciate its structures and equipment. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are shown at their net realizable value. The direct write-off method is used to record bad debt. Bad debt expense for the year ended June 30, 1999, amounted to \$9,665.

Land, Structures and Equipment

Land, structures and equipment are recorded at cost. No depreciation is provided according to HUD accounting practices.

Investments

Investments are shown at cost and consist of certificates of deposit in local banks. The investment procedures are restricted by the provisions of the Ohio Revised Code and by HUD regulations.

Provision for Federal Income Taxes

The organization was incorporated as a political subdivision of the State of Ohio and is therefore exempt from federal income taxes.

Budgetary Accounting

The Authority annually prepares its budget using a performance funding system method as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Financial Statement Format and Content

The format and content of the financial statements included in this report conform to the format and content of the annual report forms submitted to HUD.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Notes to Financial Statements - Continued

2. NOTES PAYABLE

The Authority holds Federal Financing bank notes at June 30, 1999, in the amount of \$1,156,730 at an interest rate of 6.6%. The following is a 5-year maturity schedule:

2000	\$	47,506
2001		50,442
2002		53,972
2003		57,534
2004		61,330
2005 and thereafter		<u>885,946</u>
Total	\$	<u>1,156,730</u>

As a result of the "Forgiveness" legislation, Public Law 99-272, HUD no longer applies annual contributions on HUD held notes, and provides that HUD will forgive all HUD held notes which were to be repaid using fixed annual contributions. HUD will also forgive the accrued interest on these notes. The forgiven debt will be treated as HUD contributions on the Authority's books. The Authority will reduce this contribution by the amount that it has booked as contributions due from HUD but not received.

As of June 30, 1999, the authority had not received approval to reclassify a portion of the forgiven debt to cumulative HUD contributions. The unforgiven balance as of June 30, 1999 was \$11,126,302.

3. CASH AND INVESTMENTS

HUD Handbook 7475.1 Chapter 4. Section 1. authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government:
- Obligations of Federal Government Agencies:
- Securities of Government-Sponsored Agencies:
- Demand and Savings Deposits and Certificates of Deposit.

The carrying amount of Zanesville Metropolitan Housing Authority's deposits, totaled \$1,656,013. The corresponding bank balances totaled \$1,726,795. The petty cash and charge fund was \$686.

	<u>First National Bank</u>
Amount insured by the FDIC	\$ 100,000
Collateralized (including bank balance that is collateralized with securities held by the pledging financial institution's trust department in the name of Zanesville Metropolitan Housing Authority)	<u>1,626,795</u>
Total bank balance	<u>\$ 1,726,795</u>

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Notes to Financial Statements - Continued

3. CASH AND INVESTMENTS-CONTINUED

The Authority's investments at year end consisted of interest bearing demand deposits and certificates of deposit as follows:

	<u>Carrying Amount</u>		<u>Market Value</u>
Annual Contributions Contract:			
C-971	\$ 1,228,023	\$	1,228,023
C-5071	\$ 42,204	\$	42,204

4. PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN

Substantially all employees of the Authority are members of the Public Employees Retirement System (PERS) of the State of Ohio. Each eligible employee contributes a percentage of their gross salary to PERS through payroll deductions. Additionally, the Authority pays a percentage of gross payroll to PERS. As of June 30, 1999, the rates were 8.5% for employee and 13.557% for the employer. The Authority's contribution amounted to \$143,698, \$132,810, and \$126,907 during the years ended June 30, 1999, 1998 and 1997, respectively.

The PERS does not maintain any breakdown of plan assets or unfunded past service liabilities for individual employees, therefore, additional disclosures regarding the Plan cannot be made. The report can be obtained at the following address:

Public Employees Retirement System
 277 East Town Street
 Columbus, Ohio 43215

5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 1999, the Authority contracted with HARRG for vehicle and general insurance, Travelers Insurance for fire and wind, Rankin and Rankin for boiler insurance and Aetna Casualty for blanket fidelity and burglary insurance.

Vehicle insurance carries a \$100 per vehicle comprehensive deductible. Property insurance carries a \$5,000 deductible. The deductible for general liability insurance is \$500.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Computation of Residual Receipts and Accruing Annual Contributions -
PHA Owned Housing
 Twelve Months Ended June 30, 1999

Exhibit E-1

Annual Contribution Contract C-971

Computation of Residual Receipts

Operating Receipts

Public
Housing

Operating Income - Exhibit B-1	\$	1,173,767
HUD Operating Subsidy - Exhibit D-3		<u>840,452</u>
Total Operating Receipts		2,014,219

Operating Expenditures

Operating Expenses - Exhibit B-1		1,779,790
Prior Year Adjustments Affecting Residual Receipts		8,629
Expenditures for capitalized assets		<u>36,667</u>
Total Operating Expenditures		<u>1,825,086</u>

Residual Receipts per Audit		189,133
Provision for Operating Reserve - Exhibit D-1		<u>189,133</u>
Residual Receipts per PHA	\$	<u>-</u>

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
 Twelve Months Ended June 30, 1999

Exhibit E-2

Project OH 009 CE	<u>Annual Contribution Contract C-5071</u>	
<u>Maximum Contribution Available</u>		
Maximum annual contribution authorized	\$ 1,017,557	
Prorata maximum annual contribution applicable to a period of less than twelve months	23,496	
Maximum contribution for period	1,041,053	\$ 1,041,053
Project account balance at beginning of fiscal year	227,511	
Total contributions available	1,268,564	
<u>Annual Contribution Required</u>		
Administrative fee	142,127	
Independent public accountant audit cost	1,369	
Housing and utility assistance payments	905,932	
Hard-to-house fee	1,350	
FSS Coordinator	26,066	
Total funds required	1,076,844	
Project receipts other than annual contribution	933	
Total annual contribution required - Exhibit E-3	1,075,911	(1,075,911)
<u>Project Account Change</u>		
Provision for (reduction of) project account - Exhibits D-1 and D-2		\$ (34,858)
Project account balance at end of fiscal year	\$ 192,653	
<u>Annual Contribution Earned</u>		
Lesser of contributions available or contribution required	\$ 1,075,911	

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended June 30, 1999

Exhibit E-3

Project OH 009 CE

Annual Contribution Contract C-5071

Operating Reserve Change

Operating income - Exhibit B-2	\$ 3,567
Annual contribution earned - Exhibit E-2 & D-2	<u>1,075,911</u>
Total operating receipts	1,079,478

Operating Expenditures

Operating expenses - Exhibit B-2	<u>1,038,308</u>
Net operating receipts available per audit	\$ <u>41,170</u>
Provision for (reduction of) operating reserves Exhibit D-1 and D-2	\$ <u>41,170</u>

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
 Twelve Months Ended June 30, 1999

Exhibit E-4

Project OH 009 VO

Annual Contribution Contract C-5071

Maximum Contribution Available

Maximum annual contribution authorized	\$ 392,338	
Prorata maximum annual contribution applicable to a period of less than twelve months	<u>56,893</u>	
Maximum contribution for period	449,231	\$ 449,231

Project account balance at beginning of fiscal year 107,372

Total contributions available 556,603

Annual Contribution Required

Administrative fee	54,454	
Independent public accountant audit cost	528	
Housing and utility assistance payments	308,662	
Hard-to-house fee	<u>765</u>	
Total funds required	364,409	

Project receipts other than annual contribution 427

Total annual contribution required - Exhibit E-5 363,982 (363,982)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2 \$ 85,249

Project account balance at end of fiscal year \$ 192,621

Annual Contribution Earned

Lesser of contributions available or contribution required \$ 363,982

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended June 30, 1999

Exhibit E-5

Project OH 009 VO

Annual Contribution Contract C-5071

Operating Reserve Change

Operating income - Exhibit B-3	\$ 786
Annual contribution earned - Exhibit E-4 & D-2	<u>363,982</u>
Total operating receipts	364,768
 <u>Operating Expenditures</u>	
Operating expenses - Exhibit B-3	<u>363,330</u>
Net operating receipts available per audit	<u>\$ 1,438</u>
Provision for (reduction of) operating reserves Exhibit D-1 and D-2	<u>\$ 1,438</u>

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
 Twelve Months Ended June 30, 1999

Exhibit E-6

Project OH 009 NC 0068	<u>Annual Contribution Contract C-5071</u>	
<u>Maximum Contribution Available</u>		
Maximum annual contribution authorized	\$ 442,748	
Prorata maximum annual contribution applicable to a period of less than twelve months	-	
Maximum contribution for period	442,748	\$ 442,748
Project account balance at beginning of fiscal year	430,843	
Total contributions available	873,591	
<u>Annual Contribution Required</u>		
Administrative fee	22,117	
Housing and utility assistance payments	429,321	
Independent public accountant audit costs	437	
Total funds required	451,875	
Project receipts other than annual contribution	168	
Total annual contribution required - Exhibit E-7	451,707	(451,707)
<u>Project Account Change</u>		
Provision for (reduction of) project account - Exhibits D-1 and D-2		\$ (8,959)
Project account balance at end of fiscal year	\$ 421,884	
<u>Annual Contribution Earned</u>		
Lesser of contributions available or contribution required	\$ 451,707	

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended June 30, 1999

Exhibit E-7

Project OH 009 NC 0068

Annual Contribution Contract C-5071

Operating Reserve Change

Operating income - Exhibit B-4	\$ 2,144
Annual contribution earned - Exhibit E-6 & D-2	<u>451,707</u>
Total operating receipts	453,851
 <u>Operating Expenditures</u>	
Operating expenses - Exhibit B-4	<u>459,591</u>
Net operating receipts available per audit	\$ <u>(5,740)</u>
Provision for (reduction of) operating reserves Exhibit D-1 and D-2	\$ <u>(5,740)</u>

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Reconciliation of Comprehensive Grant Costs with Funds Advanced
Twelve Months Ended June 30, 1999

Exhibit F-1

<u>Summary by Account</u>	<u>OH9-706</u>	<u>OH9-707</u>
1406 - Operations	\$ 101,174	\$ -
1408 - Management improvements	45,602	762
1410 - Administration	101,174	9,497
1430 - Fees and costs	14,106	3,750
1450 - Site improvement	163,152	7,227
1460 - Dwelling structures	370,342	-
1465 - Dwelling equipment	55,082	-
1475 - Non-dwelling equipment	<u>24,926</u>	<u>-</u>
TOTAL	<u>\$ 875,558</u>	<u>\$ 21,236</u>
Funds approved	\$ 1,011,742	\$ 1,073,259
Funds expended	<u>875,558</u>	<u>21,236</u>
EXCESS OF FUNDS APPROVED	<u>\$ 136,184</u>	<u>\$ 1,052,023</u>
Funds advanced	\$ 871,826	\$ 11,779
Funds expended	<u>875,558</u>	<u>21,236</u>
(DEFICIENCY) OF FUNDS ADVANCED	<u>\$ (3,732)</u>	<u>\$ (9,457)</u>

Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Reconciliation of Drug Elimination Programs and Economic Development and Supportive Services
Twelve Months Ended June 30, 1999

Exhibit F-2

	<u>EDSS</u>	<u>DEP 710</u>	<u>DEP 711</u>
Total Grant Income	\$ -	\$ 180,742	\$ 41,036
Grant Expenditures			
Administrative costs	1,458	-	-
Law enforcement	-	22,647	-
Investigations	-	4,832	-
Volunteer tenant patrol	-	2,287	-
Drug prevention	-	137,960	58,679
Drug intervention	-	17,000	4,584
Total Expenditures	<u>1,458</u>	<u>184,726</u>	<u>63,263</u>
Net Deficit	<u>\$ (1,458)</u>	<u>\$ (3,984)</u>	<u>\$ (22,227)</u>

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Statement and Certification of Actual Comprehensive Grant Costs and
Actual Drug Elimination Costs
Youth Services Program
 June 30, 1999

Exhibit G

1. The Actual Cost of the Project is as follows:

<u>CLASSIFICATION</u>	<u>ESC00900195</u>	<u>OH9-705</u>	<u>DEP 709</u>	<u>OH9-704</u>
Reimbursement of law enforcement	\$ -	\$ -	\$ 31,756	\$ -
Employment of investigators	-	-	29,500	-
Tenant patrol	-	-	3,500	-
Physical improvements	-	-	10,000	-
Drug prevention	-	-	134,944	-
Drug intervention	-	-	40,300	-
BLI-Operating fund	-	100,000	-	100,000
Management improvements	-	28,671	-	103,481
Administration	-	101,829	-	114,455
Fees and costs	-	41,440	-	12,651
Site acquisition	-	-	-	850
Site improvement	-	59,751	-	239,375
Dwelling structures	-	567,633	-	427,707
Dwelling equipment	-	118,169	-	76,823
Non-dwelling structures	-	-	-	2,481
Non-dwelling equipment	-	796	-	66,733
Administrative costs	2,500	-	-	-
Other program costs	23,000	-	-	-
Training	2,000	-	-	-
Salaries	62,500	-	-	-
TOTAL COSTS	\$ 90,000	\$ 1,018,289	\$ 250,000	\$ 1,144,556

2. The distribution of costs by major cost accounts submitted to HUD for approval is in agreement with Zanesville Metropolitan Housing Authority's records.

3. All costs have been paid and all related liabilities have been discharged through payment.

Zanesville Metropolitan Housing Authority
 Zanesville, Ohio
Schedule of Federal Awards Expenditures
 Twelve Months Ended June 30, 1999

	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
Annual Contribution Contract C-971		
PHA Owned Housing:		
Public and Indian Housing	14.850	\$ 840,452
Public and Indian Housing Drug Elimination Programs	14.854	218,434
Public and Indian Housing Comprehensive Grant	14.859	1,168,427
Public and Indian Housing Tenant Opportunity	14.853	34,987
Economic Development and Supportive Services	14.864	<u>1,458</u>
TOTAL		2,263,758
Annual Contribution Contract C-5071		
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Rental Certificate Program	14.857	1,075,911
Section 8 Rental Voucher Program	14.855	363,982
Public and Indian Housing Tenant Opportunity	14.182	<u>451,707</u>
TOTAL CLUSTER		<u>1,891,600</u>
TOTAL - FEDERAL AWARDS EXPENDITURES		<u>\$ 4,155,358</u>

NOTE: The schedule of Federal Awards Expenditures is prepared on the basis of accounting as prescribed by the Department of Housing and Urban Development.

**Zanesville Metropolitan Housing Authority
Zanesville, Ohio
Required Supplementary Information
GASB 98-1
(Unaudited)
Twelve Months Ended June 30, 1999**

The Year 2000 issue is the result of shortcomings in electronic data processing systems and other equipment that may adversely effect the Authority's operations as early as fiscal 1999.

The Authority has conducted an inventory of internal computer systems including PC and LAN hardware and software. They have assessed the Year 2000 status of the inventory items by contacting the manufacturers/vendors of each inventory items. Remediation tasks identified during this process have been executed. The Authority is maintaining a documentation file of its findings.

The Authority is in the process of converting to the HAB Inc. software for all of its financial related needs. The Authority has obtained the Year 2000 Compliance information for the software via its contract with HAB Inc. The implementation deadline for all modules is 1/1/2000.

The Agency has acquired documentation regarding the Year 2000 compliance of the building systems and mission critical third parties upon which the Authority depends in order to provide services. Third parties include major funding sources, such as HUD, financial institutions, utility providers, as well as insurance carriers and other types of vendors.

To the best of their knowledge, the Authority believes that all mission-critical computer systems have been fully remediated.

The Department of Housing and Urban Development issued a letter that states that HUD is well on its way to ensuring that all of its automated systems will be Year 2000 compliant following a plan designed to be implemented in 1999. The Authority is monitoring the status of the planned system conversion.

Because of the unprecedented nature of the Year 2000 issue and its effects, 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, 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.



Jones, Cochenour & Co.
Certified Public Accountants

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND PIH COMPLIANCE SUPPLEMENT**

**Board of Directors
Zanesville Metropolitan Housing Authority
Zanesville, Ohio**

**Regional Inspector General for Audit
Department of Housing and Urban
Development**

We have audited the financial statements of Zanesville Metropolitan Housing Authority as of and for the year ended June 30, 1999, and have issued our report thereon dated November 22, 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 and the *PIH Compliance Supplement for Audits of Public Housing Agencies and Indian Housing Authorities* (the "Guide") issued by the Department of Housing and Urban Development, Office of the Inspector General.

Compliance

As part of obtaining reasonable assurance about whether Zanesville 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 Zanesville Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management, in a separate letter dated November 22, 1999.

This report is intended for the information of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be used and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.
November 22, 1999



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND PIH COMPLIANCE SUPPLEMENT**

Board of Directors
Zanesville Metropolitan Housing Authority
Zanesville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Zanesville Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 and the PIH Compliance Supplement for Audits of Public Housing Agencies and Indian Housing Authorities* (the "Guide") that are applicable to each of its major federal programs for the year ended June 30, 1999. Zanesville 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 Zanesville Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Zanesville 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Guide. Those standards, OMB Circular A-133 and the Guide 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 Zanesville 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 Zanesville Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Zanesville 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 Zanesville 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 Zanesville 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.

This report is intended for the information of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be used and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
November 22, 1999

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505

Zanesville Metropolitan Housing Authority
June 30, 1999

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	Housing Assistance Payments Cluster: CFDA #14.182, 14.855 and 14.857
Dollar Threshold: Type A\B Programs	Type A: \$300,000 Type B: All others
Low Risk Auditee?	Yes

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued**

**Zanesville Metropolitan Housing Authority
June 30, 1999**

- | |
|--|
| <p>2. FINDINGS RELATED TO FINANCIAL STATEMENTS
3. FINDINGS RELATED TO FEDERAL AWARDS</p> |
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No findings for the year ended June 30, 1999.

Zanesville Metropolitan Housing Authority
June 30, 1999

PRIOR YEAR FINDINGS UPDATE

FINDING NUMBER	UPDATE
1998-4800 001	The Authority continues to monitor its Year 2000 activity. See page 24 of the report for additional updated information.

Zanesville Metropolitan Housing Authority
Activities of the PHA
June 30, 1999

At the close of fiscal year ended June 30, 1999, the Zanesville Metropolitan Housing Authority had the following operations management:

<u>Management</u>	<u>Units</u>
<u>Public Housing - Contract C-971</u>	
Owned - Project - OH 9-1	320
OH 9-2	100
OH 9-4	<u>50</u>
Total Owned Housing	470
Leased - Project - OH 9-3	200
<u>Section 8 - Contract C-5071</u>	
Existing	183
New Construction	96
Vouchers	<u>91</u>
TOTAL	<u>1,040</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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ZANESVILLE METROPOLITAN HOUSING AUTHORITY

MUSKINGUM 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: JANUARY 13, 2000