

**DAYTON METROPOLITAN HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2002**





**Auditor of State  
Betty Montgomery**

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Board of Commissioners  
Dayton Metropolitan Housing Authority  
400 Wayne Ave.  
Dayton, Ohio 45401-8750

We have reviewed the Independent Auditor's Report of the Dayton Metropolitan Housing Authority, Montgomery County, prepared by Bastin & Company, LLC, for the audit period July 1, 2001 to June 30, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 28, 2003

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# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Dayton Metropolitan Housing Authority  
Dayton, Ohio

We have audited the accompanying general-purpose financial statements of Dayton Metropolitan Housing Authority, as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the Dayton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Dayton Metropolitan Housing Authority, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2002 on our consideration of Dayton Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken a whole. The combining balance sheet, the combining statement of revenues and expenses and changes in equity and the schedule of actual modernization costs are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is also not a required part of the general-purpose financial statements of the Dayton Metropolitan Housing Authority. Such information

has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

*Bastin & Company, L L C*

Cincinnati, Ohio  
December 20, 2002



**DAYTON METROPOLITAN HOUSING AUTHORITY**  
**COMBINED BALANCE SHEET**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**AS OF JUNE 30, 2002**

**Assets**

Current assets:	
Cash and cash equivalents	\$ 11,140,778
Accounts receivable net:	
Tenants, net of allowance for doubtful accounts of \$64,757	237,989
HUD	1,628,406
Other receivables	188,805
Accrued interest receivable	822
Fraud recovery receivable	95,000
Inter-fund loans	454,532
Inventory, net	649,605
Prepaid items	<u>165,455</u>
Total current assets	14,561,392
Non-current assets:	
Restricted cash and cash equivalents	162,978
Land structures and equipment, net	<u>66,422,729</u>
Total assets	<u>\$ 81,147,099</u>

**Liabilities and Equity**

Current liabilities:	
Current portion of mortgages payable	\$ 17,255
Accounts payable:	
Trade	1,113,061
HUD	1,343,754
Accrued wages and payroll taxes	326,211
Inter-fund loans	454,532
Accrued contingency	110,000
Accrued compensated absences	73,468
Payment in lieu of taxes	59,338
Other current accrued liabilities	<u>496,444</u>
Total current liabilities	<u>3,994,063</u>
Non-current liabilities:	
Mortgages payable, net of current portion	1,024,664
Compensated absences, net of current portion	1,004,142
Deferred credits	256,039
Tenants' security deposits	241,957
Section 8 reserves	126,458
Homebuyer's reserve	36,520
Other long-term accrued liabilities	<u>126,260</u>
Total liabilities	<u>6,810,103</u>
Equity:	
Contributed capital	79,721,429
Retained earnings, unreserved	<u>(5,384,433)</u>
Total equity	<u>74,336,996</u>
Total liabilities and equity	<u>\$ 81,147,099</u>

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

**DAYTON METROPOLITAN HOUSING AUTHORITY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2002**

<b>Operating revenue:</b>	
HUD grants	\$ 39,949,280
Rental	5,183,981
Other operating revenue	<u>1,503,200</u>
Total operating revenue	<u>46,636,461</u>
<b>Operating expenses:</b>	
Administration	9,285,098
Tenant Services	2,257,204
Utilities	3,222,885
Ordinary maintenance and operation	7,706,921
Protective services	958,609
General expenses	901,696
Depreciation and amortization	5,535,003
Housing assistance payments	<u>16,531,793</u>
Total operating expenses	<u>46,399,209</u>
Net operating income	237,252
<b>Non-operating revenue (expenses):</b>	
Interest income	182,172
Interest expense	(53,694)
Proceeds from insurance demutualization	1,181,166
Casualty losses – non-capitalized	(128,809)
Fixed asset impairment	(2,158,449)
Gain on disposal of assets	<u>150,017</u>
Net income	(590,345)
<b>Equity, beginning of year, as previously reported</b>	74,556,327
Prior period adjustments	<u>371,014</u>
<b>Equity, end of year</b>	<u>\$ 74,336,996</u>

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

**DAYTON METROPOLITAN HOUSING AUTHORITY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2002**

<b>Cash flows from operating activities:</b>	
Operating income	\$ 237,252
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	5,535,003
Change in assets and liabilities:	
Tenant receivables	(143,383)
HUD receivables	1,535,780
Homebuyers' receivables	42,043
Other receivables	776,546
Fraud recovery receivable	(74,357)
Inventory	357,118
Prepaid items	69,113
Accounts payable - trade	(624,301)
Accounts payable - HUD	897,346
Accounts payable - Other	(50,372)
Deferred revenue	(1,240,991)
Other current liabilities	(11,077)
Homebuyers reserve	(12,228)
Section 8 reserve	24,742
Deferred credits	(552,361)
Compensated absences	54,410
Other long-term liabilities	<u>105,085</u>
Net cash provided by operating activities	<u>6,925,368</u>
 <b>Cash flows from investing activities:</b>	
Interest income	183,092
Interest expense	(53,694)
Sales of investments	<u>993,645</u>
Net cash provided by investing activities	<u>1,123,043</u>
 <b>Cash flows from capital and related financing activities:</b>	
Acquisition of land, structure and equipment	(5,372,210)
Proceeds from insurance demutualization	1,181,166
Proceeds from disposal of land, structures and equipment	122,761
Proceeds from mortgages payable	239,337
Payments on mortgages payable	(15,134)
Payments on capital lease obligation	<u>(67,225)</u>
Net cash used in capital and related financing activities	<u>(3,911,305)</u>
 <b>Net increase in cash and cash equivalents</b>	 4,137,106
<b>Cash and cash equivalents, beginning of year</b>	<u>7,166,650</u>
 <b>Cash and cash equivalents, end of year</b>	 <u><u>\$ 11,303,756</u></u>

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

**DAYTON METROPOLITAN HOUSING AUTHORITY  
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**1. Summary of Significant Accounting Policies**

Description of the entity

The Dayton Metropolitan Housing Authority is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the Low-Rent Housing Program under the United States Housing Act of 1937, as amended. HUD is authorized to contract with local housing authorities in financing the acquisition, construction and/or leasing of housing units, to make housing assistance payments, and to make annual contributions (subsidies) to the local housing authorities for the purposes of maintaining the low-rent character of the local housing program. Under an administrative form of contract, HUD has conveyed certain federally built housing units to the Authority for low-rent operations.

Description of programs

A summary of the programs administered by the Authority is provided below:

**Low-Rent Housing Program** – Under this program, the Authority owns and operates apartments and single-family housing units. Funding is provided through tenant rent payments and HUD subsidies.

**Public and Indian Housing Drug Elimination Program (PHDEP)** – 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.

**Section 8 Rental Voucher Program** – Under Section 8 of the Housing Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. HUD contracts with the Authority, which in turn contracts with private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.

**Public Housing Comprehensive Grant Program (CGP)** – Substantially all additions to land, structures and equipment are accomplished through Comprehensive Grant Programs. Comprehensive Grant Programs replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through grants. The Authority enters into significant construction contract obligations in relation to this Modernization and Development activity on an ongoing basis.

**Economic Development and Supportive Services Program (EDSS)** – EDSS 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. EDSS was designed with a research component to measure its impact on residents, families, public housing developments, and inner-city communities.

**Revitalization of Severely Distressed Public Housing (HOPE VI)** – The HOPE VI demolition program supports site acquisition, demolition, and relocation costs for the HOPE VI revitalization program. Under this program, residents of identified neighborhoods are relocated to other Authority and Section 8 housing units. Vacated housing units are then demolished in preparation for the development under the HOPE VI revitalization program. This program seeks to rebuild public housing neighborhoods through various financing and construction development agreements. Following the demolition of existing public housing units under the HOPE VI demolition grant, the revitalization program will seek to rebuild the neighborhood areas using a community anchor facility, new construction and existing street patterns. While a significant portion of the redevelopment effort will be accomplished with HOPE VI funds, the majority will be completed using a variety of public and private resources.

**Public and Indian Housing Block Grants** – Under this program, qualified low-income families can earn homeownership of their homes. A portion of each monthly rent payment is applied against the purchase of the home. A family achieves homeownership 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 for the amount the purchase price exceeds the family's equity in the home.

**Resident Opportunity and Supportive Services (ROSS)** – The ROSS grant program provides qualified public housing residents training in the skills necessary to achieve self-sufficiency. After completing the Family Self-Sufficiency program, residents agree to seek and maintain suitable employment that matches their background, skills and interests.

**Public Housing Capital Fund Program (CFP)** – The CFP replaces the Comprehensive Grant Program (CGP) and Comprehensive Improvement Assistance Program (CIAP). The CFP provides funds to public housing agencies to carry out capital and management improvement activities and ensures that such developments continue to be available to serve low-income families.

**Home Ownership (HO) Program** – This program provides low-income families an opportunity to purchase a new or refurbished home. The Authority purchases property from the City of Dayton at a discounted price. The existing home is refurbished or if property is vacant, a modular home is built on the lot. The Authority then obtains a commercially available low-interest mortgage on the property. The Authority also receives funds from local organizations to supplement the program. Qualified tenants initially lease the property for a specified period. Once the tenant meets pre-determined home ownership criteria, the tenant may apply to assume the existing mortgage on the property. Once approved, the property and mortgage are transferred to the new homeowner.

### Summary of significant accounting policies

The general-purpose financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**Reporting Entity** – The accompanying general-purpose financial statements comply with the provision of Governmental Accounting Standard Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the organization; or c) is obligated in some manner for the debt of the organization. Based on the criteria established by GASB Codification 2100, Management believes the financial statements included in this report represent all of activities and entities over which the Authority is financially accountable.

**Basis of accounting** – The Authority uses the proprietary fund type to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The following is the proprietary fund type used by the Authority:

Enterprise Fund – This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus/Basis of Accounting** – Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. 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 FASB 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.

**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.

**Restricted Cash and Cash Equivalents** – Cash and cash equivalents have been classified as restricted on the balance sheet for funds held in escrow under the Section 8 and Homebuyer’s programs.

**Receivables/Bad Debts** – Bad debts are provided on the allowance method based on management’s evaluation of the collectability of outstanding tenant receivable balances at the end of the year.

**Inventory** – Inventory consists of supplies and maintenance parts carried at the lower of cost and market using the average cost method and are expensed as they are consumed.

**Investments** – The Authority’s investments are recorded at fair value. Fair value generally represents quoted market value prices for investments traded in the public marketplace. Investment income, including changes in the fair value of investments, is recorded as revenue in the operating statements.

**Land, Structures and Equipment** – Land, structures and equipment are recorded at historical cost. Donated land, structures and equipment are recorded at their fair value on the date donated. Depreciation is calculated on a straight-line method using half-year convention over the estimated useful lives. When depreciable property is disposed of or sold, the cost and related accumulated depreciation are removed from the accounts, with any gain or loss reflected in operations. The estimated useful lives are as follows:

Equipment and vehicles	3-7 years
Building and site improvements	15 years
Buildings	40 years

**Inter-fund Loans** – Inter-fund loans receivable and payable totaling \$454,532 have been recorded in order to provide operating funds to various programs administered by the Authority.

**Compensated Absences** – The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

**Debt Obligations** – Debt obligations (and the related debt service requirements) of the Authority consist of mortgages and a note for the purchase of real property. HUD-guaranteed debt is treated as contributed capital as all debt service requirements are paid directly by HUD.

**Revenue Recognition** – Grant revenue is recognized when the earnings process is complete, and exchange has taken place, and any restrictions imposed by the terms of the grant have been met. Rent revenue is recognized over the period for which housing has been provided. Investment income is recognized and recorded when earned and is allocated to programs based upon monthly investment balances.

**HUD Contributions** – The Authority finances certain expenditures through the issuances of bonds and notes. HUD makes annual contributions and subsidies directly to the authorized fiscal agent of the bonds and notes to meet annual principal and interest requirements.

**Insurance Demutualization** – The Authority received \$1,811,166 from the demutualization of health care companies that converted from private mutual insurance companies to publicly traded companies. Eligible members received cash or shares of the new company in exchange for their membership interest in the former mutual insurance company. These proceeds are reported as non-operating revenues.

**Risk Management** – The Authority 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. The Authority also maintains employee bonding and employee major medical coverage with private carriers. Employee dental coverage is provided through self-insurance.

Effective November 1, 1998, the Authority entered into a joint insurance pool, Ohio Housing Authority Property and Casualty, Inc. (OHAPCI), with 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 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 elects 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 book of account. Budgeting and financing of OHAPCI is subject to the approval of the board. Currently, the participating housing authorities are Dayton, Akron, Cincinnati, and Youngstown.

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

Boiler and machinery liability	\$50,000,000 per location
Property, general liability, and law enforcement liability	\$35,000,000 per location
Public officials liability, automobile liability	\$5,000,000 per occurrence
Crime liability	\$1,000,000 per occurrence

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

**Contributed capital** –In prior years, the Authority wrote-off debt amortization funds and accrued interest on bond and permanent note issues for loans guaranteed by a pledge of faith of the U.S. Government to finance the Comprehensive Grant Program. HUD pays for the principal and interest on these loans. The Authority records these contributions as contributed capital.

**Use of Estimates** – The preparation of financial statement in accordance with GAAP 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 provisions of the Ohio Revised Code and the Authority’s written investment policy govern the investment and deposit of Authority monies. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, the State Treasurer’s investment pool (STAR Ohio), and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority’s name.

**Deposits** – At year-end, the carrying amount of the Authority’s deposits was \$3,119,122 (including \$4,500 of petty cash) and the bank balance was \$3,615,673. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,515,673 was covered by collateral held by third party trustees pursuant to section 135.181 of the Ohio Revised Code, in collateral pools serving all public funds on deposit with specific depository institutions.

**Investments** – The Authority’s investments are categorized to give an indication of the level of risk assumed by the Authority at fiscal year end. Category 1 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 2 includes uninsured and unregistered investments that are held by the counterparty’s trust department or agent in the Authority’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority’s name. STAR Ohio is an investment fund operated by the Ohio State Treasurer and is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Category 2</u>		
FHLM Discount Note	\$1,019,493	\$1,019,493
<u>Uncategorized Investments</u>		
STAR Ohio	<u>7,165,141</u>	<u>7,165,141</u>
Total	<u>\$8,184,634</u>	<u>\$8,184,634</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No.9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No.3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash and cash equivalents	\$11,140,778	\$ -
Restricted cash and cash equivalents	<u>162,978</u>	<u>-</u>
Total GASB Statement No. 9	11,303,756	-
Investments:		
FHLM Discount Note	(1,019,493)	1,019,493
STAR Ohio	<u>(7,165,141)</u>	<u>7,165,141</u>
GASB Statement No. 3	<u>\$ 3,119,122</u>	<u>\$8,184,634</u>

### 3. Land, Structures and Equipment

The Authority capitalizes land, buildings and improvements, equipment and vehicles. A summary as of June 30, 2002 is as follows:

Land	\$ 8,072,121
Buildings and improvements	110,014,187
Equipment and vehicles	5,033,506
Construction in Progress	<u>893,749</u>
Total	124,013,563
Accumulated Depreciation	<u>(57,590,834)</u>
Net book value	<u>\$ 66,422,729</u>

There was no interest capitalized for the year ended June 30, 2002.

### 4. Fixed Asset Impairment

In accordance with Statement of Financial Accounting Standards (SF AS) No.121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", the Authority has identified three housing locations for demolition. The impairment amount has taken into consideration any expected future cash flows of these assets. The total impairment loss recorded at June 30, 2002 for these locations was \$2,158,449.

### 5. Indebtedness

Under the New Visions program, the Authority has mortgages payable outstanding at June 30, 2002 in the amount of \$1,041,919. The mortgages have interest rates between 5 and 6 percent and are collateralized by real property. The mortgages are payable to a financial institution in monthly installments, with varying maturities through September 2032. Principal maturity of the indebtedness by fiscal year is as follows:

2003	\$ 17,255
2004	18,233
2005	19,201
2006	20,220
2007	21,293
Thereafter	<u>945,717</u>
	<u>\$1,041,919</u>

### 6. Payment in Lieu of Taxes

The Authority has executed a Cooperation Agreement with the County of Montgomery that provides for tax exemption of the housing projects but requires the Authority to make payment in lieu of taxes for municipal services received based upon a prescribed formula related to rental income. For the year ended June 30, 2002, the Authority has accrued a liability totaling \$59,339. Related expenses in the same amount are reported in general expenses.

## 7. Self-Insurance

The Authority has entered into a joint insurance pool with other Ohio housing authorities. The Ohio Housing Authority Property and Casualty, Inc. (OHAPCI) pool covers property, general liability, law enforcement liability, automobile liability, crime liability, boiler and machinery and public officials liability up to established limits. OHAPCI assesses the members of the pool an annual premium to fund estimated amounts needed to pay prior and current year claims. As of June 30, 2002, the pool maintained a reserve in excess of actual and estimated claims relative to the Authority.

The Authority also has a self-insured dental and vision plan that covers all employees electing to participate. A reconciliation of claims liabilities is shown below for the years ended June 30, 2001 and June 30, 2002:

	<u>2001</u>	<u>2002</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$151,105	\$25,946
Provision for insured events of the current year	<u>159,768</u>	<u>86,667</u>
Total incurred claims and claim adjustment expenses	310,873	112,613
Claims and claim adjustment expenses attributable to insured events	<u>(284,927)</u>	<u>(76,317)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 25,946</u>	<u>\$ 36,296</u>

The Authority makes payments to the Plan Trustee based on estimated amounts needed to pay prior and current year claims. The June 30, 2002 claims liability is based on the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for the current and long-term portions of unpaid claims and claim adjustment expense is recorded in other current and long-term accrued liabilities on the balance sheet.

## 8. Retirement Commitments

All full-time employees of the Authority participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The Authority is also required to contribute a percentage established by state statute. The Authority's required contributions to the PERS of Ohio for the years ended June 30, 2002, 2001, and 2000 were \$1,198,137, \$1,009,684, and \$1,275,322, respectively, which were equal to the required contributions for each year.

## 9. Other Post-employment Benefits

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipient of such retirees. 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 Number 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by state statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll and 4.3 percent was the portion used to fund health care. The Authority's actual contributions for 2002, which were used to fund OPEB was \$380,221. Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions based on PERS' latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 411,076. The actual contribution and the actuarially required contribution amounts are the same. PERS' net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

## 10. Uncompleted Contracts

At June 30, 2002, the Authority has contracts related to construction in progress under the Comprehensive Grant Program and extraordinary maintenance programs in the amount of \$3,671,596.

## 11. Prior Period Adjustments

The Authority has made adjustments to correct the amounts reported as of June 30, 2001 for receivable and payable items. The adjustments increased the amount reported as equity by \$371,014 detailed as follows:

Equity, June 30, 2001, as previously reported	<u>\$74,556,327</u>
Adjustments to account balances as of June 30, 2001:	
Receivable/Revenue adjustments	393,304
Payable/Expense adjustments	<u>(22,290)</u>
Total adjustments	<u>371,014</u>
Equity at June 30, 2001 as restated	<u>\$74,927,341</u>

## 12. Segment Information

The Authority maintains multiple funds to account for the operations of its various programs. The following reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the Authority as of and for the year ended June 30, 2002:

	<u>Low Rent</u>	<u>Drug Elimination</u>	<u>Section 8</u>	<u>CGP</u>	<u>Home Ownership</u>	<u>EDSS</u>
Operating revenues	\$ 15,628,268	\$ 1,135,504	\$ 18,482,511	\$ 1,153,776	\$ 56,409	\$ -
Depreciation expense	4,627,258	14,593	19,730	494,902	10,154	5,965
Other operating expenses	15,315,842	1,135,504	18,262,131	118,510	59,118	-
Operating income (loss)	(4,314,832)	(14,593)	200,650	540,364	(12,863)	(5,965)
Earnings on investments	54,142	-	22,639	-	1,661	-
Other non-operating items	(2,207,954)	-	(336)	-	(16,615)	-
Net income (loss)	(6,468,644)	(14,593)	222,953	540,364	(27,817)	(5,965)
Net working capital	4,833,405	-	(52,152)	-	32,347	-
Total assets	52,741,915	114,824	1,478,881	10,349,207	277,049	10,647
Total liabilities	2,990,800	105,716	1,483,724	-	48,913	-
Total equity	49,751,115	9,108	(4,843)	10,349,207	228,136	10,647

	<u>Hope VI</u>	<u>ROSS</u>	<u>CFP</u>	<u>General Research</u>	<u>Business Activities</u>	<u>Other State and Local</u>	<u>Total</u>
Operating revenues	\$1,271,927	\$326,802	\$7,134,853	\$270,076	\$72,440	\$1,103,895	\$46,636,461
Depreciation expense	-	-	223,849	-	35,823	102,729	5,535,003
Other operating expenses	822,427	326,802	3,045,679	270,076	572,125	935,992	40,864,206
Operating income (loss)	449,500	-	3,865,325	-	(535,508)	65,174	237,252
Earnings on investments	-	-	-	-	74,193	29,537	182,172
Other non-operating items	(149)	-	-	-	1,215,268	17	(1,009,769)
Net income (loss)	449,351	-	3,865,325	-	753,953	94,728	(590,345)
Net working capital	-	-	-	-	4,165,439	1,588,290	10,567,329
Total assets	931,083	76,146	6,048,393	-	5,746,294	3,372,660	81,147,099
Total liabilities	214,681	76,146	439,980	-	1,319,505	130,638	6,810,103
Total equity	716,402	-	5,608,413	-	4,426,789	3,242,022	74,336,996

## 13. Contingent Liabilities

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

The Authority is involved in various litigation matters. Management has accrued for the potential liability related to three cases outstanding at June 30, 2002. The maximum potential liability is estimated at \$110,000. The ultimate disposition of other matters is uncertain; therefore, no adjustments have been made to the financial statements relative to those matters.

#### **14. New Accounting Standards**

The GASB has issued Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement revises accounting and reporting standards for general purpose external financial reporting by governmental units. GASB Statement No. 34 is effective for the fiscal year ending June 30, 2003. The Authority has not completed an analysis of the impact of GASB Statement No. 34 on its reported financial condition and results of operations.

**Dayton Metropolitan Housing Authority**  
**Combining Balance Sheet - (FDS Schedule Format)**  
**as of June 30, 2002**

FDS Line Item No.	Account Description	Low Rent <u>14.850</u>	Drug Elimination <u>14.854</u>	Section 8 <u>14.855</u>	CGP <u>14.859</u>	Home Ownership <u>14.867</u>	Economic Development <u>14.864</u>	Hope VI <u>14.866</u>	Ross Grant <u>14.870</u>	CFP <u>14.872</u>	General Research <u>14.506</u>	Business Activities	State/Local and LHA	Total
<u>ASSETS</u>														
111	Cash-unrestricted	\$4,672,926		\$834,205		(\$5,200)						\$4,054,987	\$1,583,860	\$11,140,778
113	Cash-other restricted			126,458		36,520								162,978
100	Total cash	4,672,926		960,663		31,320						4,054,987	1,583,860	11,303,756
122	Accounts receivable-HUD other projects	698,436	105,716	345,890				214,681	76,146	187,537				1,628,406
125	Accounts receivable-miscellaneous	51,006										2,731	135,068	188,805
126	Accounts receivable-tenant dwelling rents	258,745				44,002								302,747
126.1	Allowance for doubtful accounts-dwelling rents	(64,757)												(64,757)
128	Fraud recovery			95,000										95,000
129	Accrued interest receivable	822												822
120	Total receivables, net of allowances	944,252	105,716	440,890		44,002		214,681	76,146	187,537		2,731	135,068	2,151,023
142	Prepaid expenses and other assets	165,454												165,454
143	Inventories	720,718				1,503								722,221
143.1	Allowance for obsolete inventories	(72,616)												(72,616)
144	Inter-program due from	32,847		30,019						252,443		139,223		454,532
150	Total current assets	6,463,581	105,716	1,431,572		76,825		214,681	76,146	439,980		4,196,941	1,718,928	14,724,370
161	Land	6,141,315			579,160	52,781		320,769		471,901		77,450	428,745	8,072,121
162	Buildings	91,124,497			10,177,859	483,730				4,721,503		1,505,644	2,000,954	110,014,187
163	Furniture, equipment and machinery-dwellings	100,613												110,802
164	Furniture, equipment and machinery-administration	3,829,145	45,590	320,194	223,904	15,497	13,529			238,332		1,228	235,285	4,922,704
166	Accumulated depreciation	(54,917,236)	(36,482)	(272,885)	(631,716)	(351,784)	(13,071)			(253,716)		(102,692)	(1,011,252)	(57,590,834)
167	Construction in progress							395,633		430,393		67,723		893,749
160	Total fixed assets, net of accumulated depreciation	46,278,334	9,108	47,309	10,349,207	200,224	10,647	716,402		5,608,413		1,549,353	1,653,732	66,422,729
190	Total assets	\$52,741,915	\$114,824	\$1,478,881	\$10,349,207	\$277,049	\$10,647	\$931,083	\$76,146	\$6,048,393		\$5,746,294	\$3,372,660	\$81,147,099



**Dayton Metropolitan Housing Authority**  
**Combining Balance Sheet - (FDS Schedule Format)**  
**as of June 30, 2002**

FDS Line Item No.	Account Description	Low Rent 14.850	Drug Elimination 14.854	Section 8 14.855	CGP 14.859	Home Ownership 14.867	Economic Development 14.864	Hope VI 14.866	Ross Grant 14.870	CFP 14.872	General Research 14.506	Business Activities	State/Local and LHA	Total
<u>LIABILITIES</u>														
312	Accounts payable < 90 days	\$1,045,038	\$33,820	\$3,961		\$334		\$17,085		\$6,328		\$5,910	\$585	\$1,113,061
321	Accrued wages/payroll taxes	326,211												326,211
322	Accrued compensated absences-current	61,566		9,551		147						2,204		73,468
324	Accrued contingency liability	110,000												110,000
331	Accounts payable-HUD PHA Program			1,343,754										1,343,754
333	Accounts payable-other government	47,681				5,524						6,133		59,338
341	Tenant security deposits	230,222				4,435						7,300		241,957
343	Current portion of long-term debt											17,255		17,255
345	Other current liabilities	15,000						23,112		433,652				471,764
346	Accrued liabilities-other	24,680												24,680
347	Inter-program due to		71,896			1,953		174,484	76,146				130,053	454,532
310	Total current liabilities	1,860,398	105,716	1,357,266		12,393		214,681	76,146	439,980		38,802	130,638	4,236,020
351	Long term debt											1,024,664		1,024,664
353	Non-current liabilities-other	126,260		126,458		36,520						256,039		545,277
354	Accrued compensated absences- noncurrent	1,004,142												1,004,142
350	Total non-current liabilities	1,130,402		126,458		36,520						1,280,703		2,574,083
300	Total liabilities	2,990,800	105,716	1,483,724		48,913		214,681	76,146	439,980		1,319,505	130,638	6,810,103
<u>EQUITY</u>														
502	Contributed capital-projects notes (HUD)	31,723,857												31,723,857
503	Contributed capital-long term debt-HUD guaranteed	16,104,884												16,104,884
504	Net HUD PHA contributions	27,631,179	29,906		1,998,303	291,450	13,306							29,964,144
507	Other contributions											3,000	1,925,544	1,928,544
508	Total contributed capital	75,459,920	29,906		1,998,303	291,450	13,306					3,000	1,925,544	79,721,429
512	Undesignated fund balance/retained earnings	(25,708,805)	(20,798)	(4,843)	8,350,904	(63,314)	(2,659)	716,402		5,608,413		4,423,789	1,316,478	(5,384,433)
513	Total equity	49,751,115	9,108	(4,843)	10,349,207	228,136	10,647	716,402		5,608,413		4,426,789	3,242,022	74,336,996
600	Total liabilities and equity	\$52,741,915	\$114,824	\$1,478,881	\$10,349,207	\$277,049	\$10,647	\$931,083	\$76,146	\$6,048,393		\$5,746,294	\$3,372,660	\$81,147,099

**Dayton Metropolitan Housing Authority**  
**Combining Statement of Revenue Expenses and Changes in Equity - (FDS Schedule Format)**  
**for the year ended June 30, 2002**

FDS Line Item No.	Account Description	Low Rent 14.850	Drug Elimination 14.854	Section 8 14.855	CGP 14.859	Home Ownership 14.867	Economic Development 14.864	Hope VI 14.866	Ross Grant 14.870	CFP 14.872	General Research 14.506	Business Activities	State/Local and LHA	Total
Revenue														
703	Net tenant rental revenue	\$3,974,997				\$55,269						\$66,580		\$4,096,846
704	Tenant revenue-other	1,073,708		6,427		1,140						5,860		1,087,135
705	Total tenant revenue	5,048,705		6,427		56,409						72,440		5,183,981
706	HUD PHA grants	10,259,301	1,135,504	18,397,041	118,510			822,576	326,802	3,045,679	270,076			34,375,489
706.1	Capital grants				1,035,266			449,351		4,089,174				5,573,791
708	Other government grants			79,043									941,474	1,020,517
711	Investments income-unrestricted	54,142		22,639								74,193	29,537	180,511
715	Other income	320,262											162,421	482,683
716	Gain or loss on sale of fixed assets	(2,075,650)				(17,967)						85,185		(2,008,432)
720	Investment Income-restricted					1,661								1,661
700	Total revenue	13,606,760	1,135,504	18,505,150	1,153,776	40,103		1,271,927	326,802	7,134,853	270,076	231,818	1,133,432	44,810,201
Expenses														
911	Administrative salaries	2,762,627	8,318	1,006,426	30,338	7,885		171,371		749,948		243,986	302,518	5,283,417
912	Auditing fees	30,000		8,800		100						6,353		45,253
914	Compensated absences	52,798		7,945		126						1,890	246	63,005
915	Employee benefit-administrative	704,598	2,868	300,950	19,924	2,903		45,740		232,338		67,330	74,365	1,451,016
916	Other operating-administrative	940,736	3,252	192,574	16,234	6,074		320,381		884,321		45,694	33,141	2,442,407
921	Tenant services salaries	6,282		17,592					21,045					44,919
923	Employee benefit-tenant services			487					5,042					5,529
924	Tenant services-other	543,248	290,816	4,617	5,901			238,035	300,253	67,958	270,076		485,852	2,206,756
931	Water	473,420				606							864	474,890
932	Electric	1,482,914		9,014		3,460							1,678	1,497,345
933	Gas	744,457		1,208									1,451	747,153
935	Labor	66,698												66,698
937	Employee benefit-utilities	21,146												21,146
938	Other utilities expense	414,598				205							850	415,653
941	Ordinary maintenance labor	2,987,282				6,797				300,929		55,297		3,350,305
942	Ordinary maintenance materials	895,104		5,701	17,284	14,578				21,314			12,599	966,756
943	Ordinary maintenance contract cost	1,629,039		40,479	23,126	6,640		750		604,798			1,252	2,396,250
945	Employee benefit-maintenance services	868,173		1,105		1,865				104,485		17,948	34	993,610
951	Protective services-labor		47,059		2,859					35,950				85,868
952	Protective services-contract costs		765,659	79,043						395				845,097
953	Employee benefit-protective services		16,470		1,153					10,021				27,644
961	Insurance premiums	402,557	1,062	85,508	932	2,354		11,236	462	18,724			17,093	6,912
962	Other general expenses	47,039			759			34,914		14,498				100,003
963	Payment in lieu of taxes	47,681				5,525								59,339
964	Bad debt-tenant rents	165,535												165,535
967	Interest expenses	1,558		877				149						53,694
968	Severance expenses	29,910		67									51,110	29,979
969	Total operating expenses	15,317,400	1,135,504	1,762,393	118,510	59,118		822,576	326,802	3,045,679	270,076	623,235	904,814	24,386,107
970	Excess operating revenue over operating expenses	(1,710,640)		16,742,757	1,035,266	(19,015)		449,351		4,089,174		(391,417)	228,618	20,424,094

**Dayton Metropolitan Housing Authority**  
**Combining Statement of Revenue Expenses and Changes in Equity - (FDS Schedule Format)**  
**for the year ended June 30, 2002**

FDS Line Item No.	Account Description	Low Rent 14.850	Drug Elimination 14.854	Section 8 14.855	CGP 14.859	Home Ownership 14.867	Economic Development 14.864	Hope VI 14.866	Ross Grant 14.870	CFP 14.872	General Research 14.506	Business Activities	State/Local and LHA	Total
972	Casualty losses-non capitalized	130,746		(541)		(1,352)						(27)	(17)	128,809
973	Housing assistance payments			16,500,615									31,178	16,531,793
974	Depreciation expense	4,627,258	14,593	19,730	494,902	10,154	5,965			223,849		35,823	102,729	5,535,003
900	Total expenses	20,075,404	1,150,097	18,282,197	613,412	67,920	5,965	822,576	326,802	3,269,528	270,076	659,031	1,038,704	46,581,712
1008	Special items-insurance demutualization											1,181,166		1,181,166
1010	Total other financing sources											1,181,166		1,181,166
1000	Excess (deficiency) of total revenue over (under) expenses	(6,468,644)	(14,593)	222,953	540,364	(27,817)	(5,965)	449,351		3,865,325		753,953	94,728	(590,345)
1103	Beginning equity	57,843,622	28,936	(199,725)	10,934,201	255,966	16,612	(3,269)		1,787,153		657,347	3,235,484	74,556,327
1104-010	Prior period adjustments	211,176	1	(28,071)	13,964	(13)		270,320		(31,005)		22,832	(88,190)	371,014
1104-070	Equity transfers	(1,836,911)	(5,236)		(1,139,322)					(13,060)		2,994,529		
	Ending Equity	\$49,749,243	\$9,108	(\$4,843)	\$10,349,207	\$228,136	\$10,647	\$716,402		\$5,608,413		\$4,428,661	\$3,242,022	\$74,336,996

**DAYTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO COMBINING STATEMENTS (FDS Schedule Format)**

**1. Basis of Presentation**

The accompanying Combining Statements has been prepared in accordance with the format as required for data input into HUD's electronic filing REAC system. The format and classifications of various line items differs from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United State of America.

**2. Equity Transfers**

Equity transfers presented on the accompanying Combining Statements represent the transfer of equity for closed programs/grants.

**Dayton Metropolitan Housing Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2002**

<b>Federal Grantor/  Pass-Through Grantor/  Program Title  From U.S. Department of HUD  Direct Programs</b>	<b>Federal  CFDA  Number</b>	<b>Funds  Expended</b>
<b><u>U.S. Department of HUD</u></b>		
<b><u>PHA Owned Housing:</u></b>		
Public and Indian Housing	14.850	\$ 10,259,301
Comprehensive Grant Program	14.859	1,153,776
Residential Opportunity and Supportive Services	14.870	326,802
Public Housing Drug Elimination Program	14.854	1,135,504
Demolition and Revitalization of Severely Distressed PH	14.866	1,271,927
General Research and Technology Activity	14.506	270,076
Public Housing Capital Fund	14.872	<u>7,134,853</u>
<b>Total - Public Housing</b>		<b>21,552,239</b>
<b>Section 8 Cluster Programs:</b>		
Rental Vouchers	14.855	<u>18,397,041</u>
<b>Total - Section 8 Cluster Programs</b>		<b>18,397,041</b>
<b>Total U.S. Department of HUD</b>		<u><b>39,949,280</b></u>
<b>Total All Programs</b>		<u><u><b>\$ 39,949,280</b></u></u>

**DAYTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**1. Basis of Presentation**

The accompanying Schedule of expenditures of federal awards has been prepared using the accrual 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*.

**DAYTON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF ACTUAL MODERNIZATION COSTS  
PROJECT OH10-P005-707**

1. The actual modernization costs of the project are as follows:

<u>Classification</u>	<u>Project OH10-P005-707</u>
Operating Account	\$734,292
Management Improvements	782,035
Administration	501,932
Fee and Costs	501,167
Site Improvements	20,544
Dwelling Structures	4,557,383
Dwelling Equipment – Nonexpendable	17,204
Non-Dwelling Structures	159,320
Nondwelling Equipment	62,040
Demolition	3,597
Relocation Costs	<u>3,410</u>
	<u><u>\$7,342,924</u></u>

2. The distribution of costs by major cost accounts as shown on the Performance And Evaluation report dated April 8, 2002 for Project OH10-P005-707 as submitted to HUD for approval, is in agreement with the Authority's records.
3. Funds advanced for Project OH10-P005-707 totaled \$7,342,924.

# Bastin & Company, LLC

*Certified Public Accountants*

## **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 general-purpose financial statements of the Dayton Metropolitan Housing Authority as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Dayton Metropolitan Housing Authority's general-purpose 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 the Dayton 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 general-purpose 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 general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.



This report is intended solely for the information 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.

*Bastin & Company, LLC*

Cincinnati, Ohio  
December 20, 2002

# Bastin & Company, LLC

*Certified Public Accountants*

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

Board of Commissioners  
Dayton Metropolitan Housing Authority  
Dayton, Ohio

### **Compliance**

We have audited the compliance of The Dayton 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, 2002. The Dayton 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 its major Federal programs is the responsibility of the Dayton Metropolitan Housing 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Dayton 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 the Dayton Metropolitan Housing Authority's compliance with those requirements.

In our opinion, the Dayton Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2002.

### **Internal Control Over Compliance**

The management of the Dayton Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our

audit, we considered the Dayton 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 solely for the information 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.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
December 20, 2002

**DAYTON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002  
SUMMARY OF AUDITORS' RESULTS**

Type of financial statement opinion	Unqualified
Material control weaknesses reported at the financial statement level	None
Reportable control weakness conditions reported at the financial statement level	None
Reported noncompliance at the financial statement level	None
Material internal control weakness conditions reported for major Federal programs	None
Reported internal control weakness conditions reported for major Federal programs	None
Type of major programs' compliance opinion	Unqualified
Reportable findings	None
Major programs	Public and Indian Housing (CFDA 14.850)
Dollar threshold to distinguish between Type A/B programs	\$1,198,478
Low risk auditee	Yes

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**DAYTON METROPOLITAN HOUSING AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002**

There were no findings reported in the prior audit report that were considered as reportable conditions as they relate to the financial statements





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**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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2003**