

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO

REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED SEPTEMBER 30, 1999

J. E. Slaybaugh & Associates, Inc.

Certified Public Accountants

2 East Main Street

Lexington, Ohio 44504

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BATAVIA, OHIO

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BATAVIA, OHIO

SEPTEMBER 30, 1999

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Balance Sheet, September 30, 1999	2
Statement of Revenue, Expense and Equity	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 12
Schedule of Expenditures of Federal Awards	13
Schedule of Revenue and Expense By Program	14
Schedule of Activity	15
Independent Auditors' report on Compliance on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	17 - 18
Schedule of Findings and Questioned Costs	19



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

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Board of Commissioners
Clermont Metropolitan Housing Authority
Batavia, Ohio

We have reviewed the Independent Auditor's Report of the Clermont Metropolitan Housing Authority, Clermont County, prepared by J. E. Slaybaugh & Associates, Inc., for the audit period October 1, 1998 through September 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 Clermont County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

June 8, 2000

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Clermont Metropolitan Housing Authority
Batavia, Ohio

We have audited the accompanying financial statements of the Clermont Metropolitan Housing Authority, Batavia, Ohio, as of and for the year ended September 30, 1999, and the related statements of revenue, expense and equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2000, on our consideration of Clermont 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 performed for the purpose of forming an opinion on the financial statements of Clermont Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and the additional information, are presented for the purposes of additional analysis, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is stated fairly, in all material respects, in relation to the financial statements taken as a whole.

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
February 25, 2000

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
BALANCE SHEET
SEPTEMBER 30, 1999

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,136,180
Other Receivables	8,997
Tenant Receivables - Net of \$10,300 Allowance for Doubtful Accounts	11,039
Prepaid Expenses	<u>11,875</u>
Total Current Assets	1,168,091

Noncurrent Assets

Fixed Assets

Work In Process	466,075
Property and Equipment - Net of \$4,392,820 Accumulated Depreciation	<u>10,902,448</u>
Total Noncurrent Assets	<u>11,368,523</u>

Total Assets

\$ 12,536,614

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$ 163,908
Security and Other Trust Deposits	35,536
Accrued Compensated Absences	74,696
Other Current Liabilities	<u>6,436</u>
Total Liabilities	280,576

Equity

Contributed Capital	15,760,860
Retained Earnings	<u>(3,504,822)</u>
Total Equity	<u>12,256,038</u>

Total Liabilities and Equity

\$ 12,536,614

See Independent Auditors' Report

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
 BATAVIA, OHIO
 STATEMENT OF REVENUE, EXPENSE AND EQUITY
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

<u>Revenue</u>	
HUD Grants	\$ 2,812,927
Rental Income	487,298
Investment Income - Unrestricted	40,229
Other Income	<u>32,988</u>
 Total Revenue	 3,373,442
<u>Expenses (before depreciation)</u>	
Housing Assistance Payments	2,296,943
Administrative Salaries	294,618
Other Administrative	64,634
Tenant Services	550
Utilities	137,371
Maintenance Expense	132,962
Contract Services	70,988
General Expenses	65,850
Employee Benefits	130,907
Nonroutine Maintenance	<u>2,718</u>
 Total Expenses (before other costs)	 3,197,541
 Income (Loss) before Other Costs	 175,901
Depreciation	467,539
Loss on Disposal of Assets	<u>340,938</u>
 Net Income (Loss)	 (632,576)
 <i>Retained Earnings - Beginning of Year</i>	
As Previously Reported	1,253,154
Prior Period Adjustment	<u>(4,125,400)</u>
As Restated	<u>(2,872,246)</u>
Retained Earnings - End of Year	(3,504,822)
 <i>Contributed Capital - Beginning of Year</i>	
As previously Reported	7,590,647
Prior Period Adjustment	<u>7,704,138</u>
As Restated	15,294,785
HUD Capital Contributions	<u>466,075</u>
Contributed Capital - End of Year	<u>15,760,860</u>
 Total Equity - End of Year	 <u>\$ 12,256,038</u>

See Independent Auditors' Report

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
 BATAVIA, OHIO
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

Cash Flows from Operating Activities

Net Income (Loss)	\$ (632,576)
Adjustments to reconcile Net Income(Loss) to Net Cash Provided By Operating Activities:	
Depreciation	467,539
Prior Year Adjustments	(750,218)
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
Receivables	(6,605)
Prepaid Expenses	(9,745)
Accounts Payable	34,956
Accrued Wages and Related Liabilities	74,696
Deferred Rent and Other Current Liabilities	(265,863)
Security and Other Trust Deposits	162
Total Adjustments	<u>(455,078)</u>
 Net Cash Provided (Used) By Operating Activities	 (1,087,654)

Cash Flows From Capital and Related Financing Activities

Proceeds from HUD Capital Contributions	<u>466,075</u>
 Net Cash Provided (Used) By Capital and Related Financing Activities	 466,075

Cash Flows from Investing Activities

Purchase of Property and Equipment (net)	494,318
Proceeds from Disposal of Investments	<u>1,213,860</u>
 Net Cash Provided (Used) By Investing Activities	 <u>1,708,178</u>
 Increase (Decrease) In Cash and Cash Equivalents	 1,086,599
 Cash and Cash Equivalents - Beginning of Year	 <u>49,581</u>
 Cash and Cash Equivalents - End of Year	 <u>\$ 1,136,180</u>

See Independent Auditors' Report

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Basis of Accounting

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

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Cash and Cash Equivalents

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

Tenant Receivables - Recognition of Bad Debts

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

Property and Equipment

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

Depreciation is recorded on the straight-line method.

Investments

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

Restricted Investments

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 2 - CASH INVESTMENTS

Cash

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

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

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

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

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

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

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

- Category 1. \$ 100,000 was covered by federal depository insurance.
- Category 2. \$ 1,049,633 was covered by collateral held by the pledging financial institution in the name of the Authority.

CLERMONT METROPOLITAN HOUSING AUTHORITY
 BATAVIA, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 1999

NOTE 2 - CASH AND INVESTMENTS, continued

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

Investments

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

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterpart's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterpart or its Trust department but not in the Authority's name.

The Authority's investments are all Category A and consist of the following:

<u>INVESTMENT</u>	<u>CATEGORY A</u>	<u>CARRYING AMOUNT</u>
Cash	1,135,980	<u>\$ 1,135,980</u>
Total Investments (including restricted)		<u>\$ 1,135,980</u>

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 3 - PROPERTY AND EQUIPMENT

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

Buildings and Building Improvements	\$ 12,505,378
Land and Land Improvements	1,929,714
Furniture and Fixtures, Equipment and Vehicles	860,176
Work In Process	<u>466,075</u>
Total	15,761,343
Less Accumulated Depreciation	<u>(4,392,820)</u>
Net Property and Equipment	<u>\$ 11,368,523</u>

NOTE 4 - ADMINISTRATIVE FEE

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

A. Certificates and Vouchers:

Units per month x \$42.91/unit

NOTE 5 - ALLOCATION OF COSTS

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 1999 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to P.E.R.S. for the years ending June 30, 1999, 1998 and 1997 were \$60,118, \$54,919, and \$51,070, respectively. All required contributions were made prior to each of those fiscal year ends.

NOTE 7 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners in conjunction with local policies and state law.

Employees earn annual leave hours based on years of service as an employee of either CMHA or PERS. The schedule is as follows:

<u>Service Years</u>	<u>Hours/month</u>
0 - 5	8
5 - 10	11.5
10 - 15	14.75
15 +	18

Maximum accumulated vacation hours is 375 hours.

Sick leave is accumulated at the rate of 10 hours per month to a maximum of 225 hours.

At September 30, 1999, \$74,696 was accrued by the Authority for unused vacation and sick time.

CLERMONT METROPOLITAN HOUSING AUTHORITY
 BATAVIA, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 1999

NOTE 8 - CHANGE IN BASIS OF ACCOUNTING

Effective with the year ended September 30, 1999, the Authority adopted the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP). HUD requires GAAP basis financial statements for fiscal years beginning October 1, 1998 and thereafter. Equity as of October 1, 1998 has been increased by \$3,578,738 retroactively reflect this change in accounting. The adjustment is made up of a reduction of \$4,125,400 to beginning retained earnings and an increase of \$7,704,138 to beginning contributed capital.

The prior period adjustment of \$4,125,400 to retained earnings is made up of the following amounts:

\$ 472,818	Adjust Recorded Value of Fixed Assets to GAAP Capitalized Costs
(3,925,281)	Recorded Accumulated Depreciation as of October 1, 1998
<u>(672,937)</u>	Other
 <u>\$ (4,125,400)</u>	

The prior period adjustment of \$7,704,138 increasing contributed capital is made up of the following amounts:

\$ 5,738,950	Remove HUD Direct and Guaranteed Debt
1,246,499	Remove Related Accrued Interest
<u>718,689</u>	Other
 <u>\$ 7,704,138</u>	

NOTE 9 - INSURANCE

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 10 - CONTINGENCIES

Grants

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

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At September 30, 1999 the Authority was involved in no such matters.

CLERMONT METROPOLITAN HOUSING AUTHORITY
 BATAVIA, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Expenditures For The Year Ended</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Low Income Public Housing	14.850	C-5009	\$ 165,525	\$ 165,525
Section 8 Cluster:				
Housing Assistance Program:				
Certificates	14.857	C-5043	2,121,585	2,121,585
Vouchers	14.855	C-5043	525,817	525,817
Comprehensive Improvement Programs	14.852	C-5009	<u>466,075</u>	<u>466,075</u>
Total Federal Assistance			<u>\$ 3,279,002</u>	<u>\$ 3,279,002</u>

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

See Independent Auditors' Report

CLERMONT METROPOLITAN HOUSING AUTHORITY
 BATAVIA, OHIO
 SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Low Rent	Rental Certificates Program	Rental Voucher Program	Total
REVENUE				
HUD Grants	\$ 165,525	\$ 2,121,585	\$ 525,817	\$ 2,812,927
Rental Income	487,298			487,298
Investment Income - Unrestricted	30,530	9,215	484	40,229
Other Income	<u>32,988</u>			<u>32,988</u>
Total Revenue	716,341	2,130,800	526,301	3,373,442
EXPENSES				
HAP		1,843,588	453,355	2,296,943
Administrative Salaries	122,273	149,559	22,786	294,618
Other Administrative	29,740	28,629	6,265	64,634
Tenant Services	550			550
Utilities	137,371			137,371
Maintenance Expense	111,037	18,413	3,512	132,962
Contract Services	70,988			70,988
General Expenses	63,117	2,137	596	65,850
Employee Benefits	70,776	52,009	8,122	130,907
Nonroutine Maintenance	<u>2,718</u>			<u>2,718</u>
Total Expenses	<u>608,570</u>	<u>2,094,335</u>	<u>494,636</u>	<u>3,197,541</u>
Income (Loss) before Other Costs	107,771	36,465	31,665	175,901
Depreciation	464,317	2,537	685	467,539
Loss on Disposal of Assets	<u>339,867</u>	<u>1,071</u>		<u>340,938</u>
Net Income (Loss)	<u>\$ (696,413)</u>	<u>\$ 32,857</u>	<u>\$ 30,980</u>	<u>\$ (632,576)</u>

See Independent Auditors' Report

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO
SCHEDULE OF ACTIVITY
SEPTEMBER 30, 1999

The PHA had 923 units under management.

<u>Management</u>	<u>Units</u>
PHA Owned Housing	230
Section 8 Certificates	380
Section 8 Vouchers	<u>313</u>
TOTAL	<u>923</u>

THERE WERE NO PRIOR AUDIT FINDINGS.

See Independent Auditors' Report

J. E. Slaybaugh & Associates, Inc.

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*John E. Slaybaugh III
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Clermont Metropolitan Housing Authority
Batavia, Ohio

We have audited the financial statements of Clermont Metropolitan Housing Authority, Batavia, Ohio, as of and for the year ended September 30, 1999, and have issued our report thereon dated February 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clermont 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 Clermont 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.

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
February 25, 2000

J. E. Slaybaugh & Associates, Inc.

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Certified Public Accountant*

INDEPENDENT AUDITOR'S 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
Clermont Metropolitan Housing Authority
Batavia, Ohio

Compliance

We have audited the compliance of Clermont 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 September 30, 1999. Clermont Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on Clermont Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the provisions of the *Public and Indian Housing Compliance Supplement*, PIH Notice 97-30. 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 Clermont 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 Clermont Metropolitan Housing Authority's compliance with those requirements.


In our opinion, Clermont 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 September 30, 1999.

Internal Control Over Compliance

The management of Clermont 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 the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



J.E. Slaybaugh & Associates, Inc.

Lexington, Ohio

February 25, 2000

CLERMONT METROPOLITAN HOUSING AUTHORITY
BATAVIA, OHIO

SCHEDULE OF FINDINGS

SEPTEMBER 30, 1999

PART I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor has issued an unqualified opinion on the financial statements of Clermont Metropolitan Housing Authority.
2. There were no reportable conditions in internal control disclosed by the audit of the financial statements.
3. There was no noncompliance material to the financial statements disclosed by the audit.
4. There were no reportable conditions in the internal control over major programs disclosed by the audit.
5. The auditor has issued an unqualified opinion on compliance for major programs for Clermont Metropolitan Housing Authority.
6. The audit disclosed no audit findings.
7. The major programs are:
 - Comprehensive Improvement Programs*
 - Section 8 Cluster*
8. The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
9. The auditor determined that Clermont Metropolitan Housing Authority qualified as a low-risk auditee.

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

1. None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS

1. None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CLERMONT METROPOLITAN HOUSING AUTHORITY

CLERMONT 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: JUNE 22, 2000