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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

May 4, 1981

CITY MANAGER'S OFFICE
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Housing Authority of the
City of Sacramento
Sacramento, California

FILED
SACRAMENTO HOUSING AUTHORITY

Date 5-14-81

Honorable Members in Session:

SUBJECT: Audited Financial Statements, Five Locally-Owned Housing Projects

SUMMARY

Attached for acceptance and filing are the audited financial statements for (1) Ping Yuen Center, (2) Ralph Kennedy Estates, (3) 8 SCAT houses, (4) 10 Wildflower houses, and (5) the San Jose/Broadway projects for the year ending December 31, 1981. The audited statements were prepared by Ernst & Whinney, Certified Public Accountants.

BACKGROUND AND FINANCIAL DATA

Annual audited financial statements for Ping Yuen and Kennedy Estates are required by the Department of Housing and Urban Development in a prescribed format. Audited financial statements for the remaining three locally-owned housing projects are prepared in a similar fashion. Attached is a "Comparison, 1980 Housing Budgets with Audit Reports 12/31/80" prepared by Agency staff to assist in comparing actual performance with budget forecasts for 1980. Overall, the projects stayed within expenditure budgets, generating a net surplus for reserve purposes of \$24,654. Individually, only Kennedy Estates, where income was less than forecast, has a loss for the year. This deficit was offset by net income from other four projects.

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of May 4, 1981, the Sacramento Housing and Redevelopment Commission adopted a motion recommending you accept and file the Audited Financial Statements. The votes were recorded as follows:

AYES:	Coleman, Fisher, Kneprath, Luevano, A. Miller, Teramoto, Walton, B. Miller
NOES:	None
ABSENT:	Serna

APPROVED
SACRAMENTO HOUSING AUTHORITY
Date _____

5-14-81
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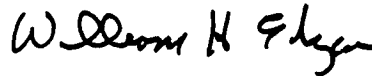
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Housing Authority of the
City of Sacramento
April 28, 1981
Page Two

RECOMMENDATION


The staff recommends acceptance and filing of the Audited Financial Statements for the five locally-owned housing projects for 1980.

Respectfully submitted,



WILLIAM H. EDGAR
Interim Executive Director

TRANSMITTAL TO COUNCIL:


WALTER J. SLIPE
City Manager

Contact Person: Beverly Czoberek

COMPARISON, 1980 HOUSING BUDGETS WITH AUDIT REPORTS 12/31/80

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
		<u>Income</u>	<u>Admin. Expenses</u>	<u>Operating Expenses</u>	<u>Maint. Expense</u>	<u>Other Expenses</u>	<u>Interest & Mtg.Ins.</u>	<u>Income Less Exp. Cols. 2-6</u>	<u>Depreciation (Memo Only)</u>	<u>Audited Operating Surplus (Deficit)</u>	<u>To Principal Payments</u>	<u>To Fixed Assets</u>	<u>To Reserve for Replacements</u>	<u>To Agency Reserve (Col 7 less 10,11,12)</u>	
Ping Yuen	Audit	212,846	13,876	39,317	42,653	5,452	76,587	34,961	17,610	17,351	3,588	7,530	11,772	12,071	
	Budget	210,759	17,546	32,997	45,297	6,238	76,587	32,094	-0-	NA	3,588	16,700	11,806	-0-	
Kennedy Estates	Audit	214,264	23,070	49,055	61,202	5,957	75,737	(757)	31,137	(31,894)	3,268	3,327	5,420	(12,772) ^{1/}	
	Budget	230,590	29,164	44,496	57,150	6,624	75,738	17,418	-0-	NA	3,268	8,700	5,450	-0-	
8 SCAT	Audit	33,759	2,206	1,664	7,677	1,252	-0-	20,960	4,443	16,517	-0-	-0-	-0-	20,960	
	Budget	31,001	2,592	1,903	4,226	1,678	-0-	20,602	-0-	NA	-0-	350	-0-	20,252	
San Jose/ Broadway	Audit	105,892	6,004	3,421	13,101	3,345	69,264	10,757	28,442	(17,685)	2,459	-0-	6,238	2,060	
	Budget	102,164	9,065	3,601	16,463	-0-	64,008	9,027	-0-	NA	2,459	-0-	6,568	-0-	
Wildflower (10)	Audit	50,219	3,900	2,233	2,171	2,815	32,807	6,293	9,135	(2,842)	3,958	-0-	-0-	2,335	
	Budget	50,400	3,827	2,190	3,463	2,400	34,562	3,958	-0-	NA	3,958	-0-	-0-	-0-	
														NET SURPLUS	24,654

^{1/} Cause for Kennedy Estates loss is the \$16,326 under-budget income. Actual 1980 income was 71.1% below budget.

Audited Financial Statements
and Supplemental Information

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

December 31, 1980

Audited Financial Statements

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Supplemental Information

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Ernst & Whinney

555 Capitol Mall, Suite 650
Sacramento, California 95814

916/447-3237

Housing Authority of the
City of Sacramento
Sacramento, California

We have examined the balance sheet of Ping Yuen Center as of December 31, 1980, and the related statements of profit and loss, changes in fund equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, including the audit requirements set forth in the Department of Housing and Urban Development (HUD) Audit Guide for Mortgagors having HUD Insured or Secretary Held Multifamily Mortgages and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Ping Yuen Center at December 31, 1980, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles and HUD guidelines applied on a basis consistent with that of the preceding year.

The supporting data included in this report, which is shown on pages 9 through 12, have been subjected to the same auditing procedures applied in the examination of the aforementioned financial statements and, in our opinion, are presented fairly in all material respects in relation to the financial statements taken as a whole.

We have also reviewed compliance and internal control matters in accordance with the provisions of Appendix 2, of the HUD Audit Guide for Mortgagors having HUD Insured or Secretary Held Multifamily Mortgages, HUD Handbook IG 4372.1, dated June 1978 and have rendered our report thereon on pages 13 and 14.

Ernst & Whinney

Sacramento, California
February 20, 1981

BALANCE SHEET

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

December 31, 1980

ASSETS

CURRENT ASSETS

Cash		\$	354
Accounts Receivable			
Tenant	\$ 1,874		
Department of Housing and			
Urban Development	<u>6,169</u>		8,043
Prepaid insurance			903
Investments			<u>20,771</u>
	TOTAL CURRENT ASSETS		<u>30,071</u>

RESTRICTED DEPOSITS

Cash and investments held			
for replacements	52,974		
Tenant security deposits	<u>1,943</u>		54,917

PROPERTY, PLANT, AND EQUIPMENT--Note B

Buildings and improvements	651,748		
Equipment, furniture, and fixtures	<u>14,149</u>		
	665,897		
Less accumulated depreciation	<u>(80,777)</u>		
	585,120		
Land	<u>227,393</u>		<u>812,513</u>
			<u>\$897,501</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Amount due Housing Authority		\$ 2,569
Accrued interest payable		6,016
Current portion of mortgage note payable-- Note B		<u>3,905</u>
	TOTAL CURRENT LIABILITIES	<u>12,490</u>

DEFERRED CREDITS

Tenant security deposits	\$1,810	
Unearned income	<u>6,378</u>	8,188

MORTGAGE NOTE PAYABLE, less current portion--
Note B

845,393

FUND EQUITY

Contributions from Local Tax Fund--Note C	130,897	
Operating deficit	<u>(99,467)</u>	31,430

\$897,501

See notes to financial statements

HUD USE ONLY

STATEMENT OF PROFIT AND LOSS

92556		92547		NAME	For The	Month	Ending	Year
				Ping Yuen Center	twelve	Dec.	31	1980
5000 - INCOME ACCOUNTS								
				5100 - RENT INCOME:		\$		
1				5110-Houses			83,498	
1				5120-Apartments			79,811	
				5121-Rent Supplement Payments				
3				5130-Furniture & Equipment-Owned by Project for rent or lease				
3				5140-Stores and Commercial			54,708	
3				5150-Offices				
3				5160-Basement				
2				5170-Garage or Parking Spaces				
				5190-Miscellaneous				
				TOTAL RENT INCOME - POTENTIAL @ 100% OCCUPANCY			218,017	
				5200 - VACANCIES:		\$		
1				5210-Houses			1,089	
1				5220-Apartments				
3				5230-Furniture & Equipment-Owned by Project for rent or lease				
3				5240-Stores and Commercial			7,135	
3				5250-Offices				
3				5260-Basement				
2				5270-Garage or Parking Spaces				
				5290-Miscellaneous				
				TOTAL VACANCIES			(8,224)	
				NET RENTAL INCOME (Rent Income LESS Vacancies)			\$ 129	\$ 209,793
3				5300 - SERVICE INCOME:				
				TOTAL SERVICE INCOME:				129
				5400 - FINANCIAL INCOME:				
3				5410-Interest Income			2,486	
3				5420-Income From Investments				
3				5430-Income From Sinking Fund				
3				5490-Miscellaneous				
				TOTAL FINANCIAL INCOME				-2,486
3				5900 - OTHER INCOME: Tenant charges			382	
				TOTAL OTHER INCOME Miscellaneous			56	438
				TOTAL INCOME				\$ 212,846
6000 - PROJECT EXPENSE ACCOUNTS								
				6200 - RENTING EXPENSES:		\$		
7	1			6210-Advertising				
8	2			6220-Commissions				
14				6230-Concessions to Tenants				
14				6240-Alterations				
				6290-Miscellaneous				
				TOTAL RENTING EXPENSES				\$
				6300 - ADMINISTRATIVE EXPENSES:		\$		
11	5			6310-Office Salaries			8,332	
9	7			6311-Office Expense			2,207	
9	7			6312-Office Rent			1,597	
9	3			6320-Management Fee				
10	4			6330-Manager or Superintendent Salaries				
13	8			6340-Legal Expenses (Project)			18	
13	8			6350-Auditing Expenses (Project)			402	
12	6			6360-Telephone and Telegraph			787	
14				6370-Bad Debts			168	
15				6390-Miscellaneous			365	
				TOTAL ADMINISTRATIVE EXPENSES				13,876
				6400 - OPERATING EXPENSES:		\$		
24	17			6410-Elevator Payroll				
20	9			6411-Elevator Power				
18	11			6420-Fuel				
24	17			6421-Engineer Payroll				
24	17			6430-Janitor Payroll				
19	12			6431-Janitor Supplies				
24	17			6440-Bus Operator Payroll				
19	12			6441-Gasoline, Oil and Grease				
20	13			6450-Electricity			9,136	
21	14			6451-Water			2,642	
22	15			6452-Gas			18,688	
25	20			6460-Exterminating Payroll		3,329		
25	20			6461-Exterminating Supplies			3,780	
25	20			6462-Exterminating Contract		451		
25	16			6470-Garbage and Trash Removal			4,151	
23				6490-Miscellaneous			920	
				TOTAL OPERATING EXPENSES				39,317
				TOTAL EXP.				\$ 53,193

HUD USE ONLY		6000 - PROJECT EXPENSE ACCOUNTS (Continued)		
STATE	FY	TOTAL EXPENSES FROM PAGE 1		
				\$ 53,193
		6500 - MAINTENANCE EXPENSES:		
24	17	6510-Protection Payroll	\$ 324	\$ 324
24	17	6511-Protection Fee, Cost or Contracts		
24	17	6520-Grounds Payroll		
31	22	6521-Grounds Supplies and Replacements	310	310
31	22	6522-Grounds Contract		
24	17	6530-Cleaning Payroll	26,913	
30	19	6540-Repairs Payroll	5,719	
30	19	6541-Repairs Material		32,632
30	19	6542-Repairs Contract		
		6543-Repairs-Extraordinary and Nonrecurring		1,788
33	10	6550-Elevator Maintenance		
34	11	6551-Air Conditioning, Repair and Maintenance		
29	18	6560-Decorating Payroll	206	206
29	18	6561-Decorating Supplies		2,003
29	18	6562-Decorating Contract		311
34	19	6570-Motor Vehicle Repairs		
34	19	6580-Maintenance Equipment Repairs		5,079
34	19	6590-Miscellaneous		
		TOTAL MAINTENANCE EXPENSES		42,653
		6600 - DEPRECIATION:	\$ 15,919	
		6620-Buildings	70	
		6630-Building Equipment - Fixed	316	
		6631-Alterations	1,269	
		6640-Building Equipment - Portable	21	
		6650-Furniture For Project Administrative Use		
		6651-Furniture & Equipment-Project Owned for rental or lease		
		6660-Furnishings		
		6670-Maintenance Equipment	15	
		6680-Motor Vehicles		
		6690-Miscellaneous		
		TOTAL DEPRECIATION		17,610
		6700 - TAXES AND INSURANCE:		
36	28	6710-Taxes (list)		
37	29			
38	21	6720-Insurance	5,452	
		TOTAL TAXES AND INSURANCE		5,452
		6800 - FINANCIAL EXPENSES:	\$	
47		6810-Interest on Bonds Payable	72,332	
		6820-Interest on Mortgage Payable		
		6830-Interest on Notes Payable (Long Term)		
48		6840-Interest on Notes Payable (Short Term)	4,255	
		6850-Insurance on Mortgage		
		6890-Miscellaneous		
		TOTAL FINANCIAL EXPENSES		76,587
		6900 - SERVICE EXPENSES (List):	\$	
		TOTAL SERVICE EXPENSES		
		TOTAL COST OF OPERATIONS		\$195,495
		OPERATING PROFIT OR (LOSS)		17,351
		7100 - CORPORATE OR MORTGAGOR ENTITY EXPENSES:	\$	
		7110-Officer Salaries		
		7120-Legal Expenses (Entity)		
		7130-Federal Income Tax		
		7131-State Income Tax		
		7132-Other Taxes (Entity)		
		7133-Leased Furniture Expenses (Entity)		
		7190-Other Expenses (Entity)		
		TOTAL CORPORATE EXPENSES		
		NET PROFIT OR LOSS		\$ 17,351

STATEMENT OF CHANGES IN FUND EQUITY

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

For the year ended December 31, 1980

Fund equity at January 1, 1980	\$(116,818)
Net income	17,351
Contributions--Note C	<u>130,897</u>
FUND EQUITY AT DECEMBER 31, 1980	<u>\$ 31,430</u>

See notes to financial statements

STATEMENT OF CHANGES IN FINANCIAL POSITION

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

For the year ended December 31, 1980

SOURCE OF FUNDS --

From operations:

Net income	\$ 17,351
Provision for depreciation not requiring outlay of cash	17,610

TOTAL FROM OPERATIONS	<u>34,961</u>
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Contributions--Note C	130,897
	<u>165,858</u>

APPLICATION OF FUNDS

Increase in accounts receivable	7,291
Increase in investments	15,371
Increase in cash and investments held for replacements	11,772
Purchase of property, plant, and equipment	7,530
Decrease in mortgage note payable--Note C	126,985
Other	4,236
	<u>173,185</u>

Decrease in cash	(7,327)
Cash at January 1, 1980	<u>7,681</u>

CASH AT DECEMBER 31, 1980	<u>\$ 354</u>
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See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

December 31, 1980

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

Ping Yuen Center is a low income housing project administered by the Housing Authority of the City of Sacramento. Revenues are received both from tenants and Housing and Urban Development (HUD) housing assistance payments.

The project is accounted for as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accrual method of accounting is used by the project.

Property, plant, and equipment are stated at cost. Depreciation is calculated using the straight-line method based on the following estimated lives:

Buildings and improvements	40 years
Equipment, furniture, and fixtures	10 years

Investments are recorded at cost which approximates fair market value. Monies are pooled and invested by the City of Sacramento in the name of the Housing Authority.

NOTE B--MORTGAGE NOTE PAYABLE

The mortgage note payable at December 31, 1980 is secured by a deed of trust. Principal and interest at 8.5% are due in monthly installments of \$6,329, through June, 2016.

NOTE C--CONTRIBUTIONS

The Local Tax Fund, an interagency fund of the Housing Authority of the City of Sacramento, advanced \$123,397 in prior years to the Ping Yuen Center for the purchase and renovation of property, plant, and equipment. In the current year, HUD determined that these amounts are to be considered as contributions rather than advances. Accordingly, the Local Tax Fund and Ping Yuen Center have adjusted their records to reflect this determination.

SUPPORTING DATA REQUIRED BY HUD

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

December 31, 1980

Accounts receivable (other than from regular tenants):

December housing assistance payment due from HUD \$6,169

Delinquent tenant accounts receivable:

	<u>Number of Tenants</u>	<u>Amount Past Due</u>
Delinquent 31-60 days	3	\$ 487
Delinquent 61-90 days	2	1,182
Delinquent over 90 days	1	<u>205</u>
		<u>\$1,874</u>

Mortgage escrow deposits - None

Tenant security deposits:

HUD requires that cash sufficient to cover all refundable rental security deposits be set aside in a separate bank account. At December 31, 1980 refundable deposits totaled \$1,810 while cash and investments set aside for security deposits were \$1,943.

Cash and investments held for replacements:

HUD requires that cash be held in a replacement fund by the mortgagee. The following is an analysis of the activity for the current year:

Balance at January 1, 1980	\$41,202
Monthly deposits	<u>11,772</u>
Balance at December 31, 1980	<u>\$52,974</u>

SUPPORTING DATA REQUIRED BY HUD (Continued)

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

December 31, 1980

Accounts payable (other than trade creditors) - None

Schedule of surplus cash and residual receipts:

Cash on hand and in banks		\$	354
Current obligations:			
Amount due Housing Authority	\$2,569		
Accrued interest payable	6,016		
Current portion of mortgage note payable	<u>3,905</u>		<u>12,490</u>
Cash deficit			<u><u>\$(12,136)</u></u>

Compensation or distribution to owners - None

Required deposit to residual receipts - None

Accrued taxes - None

Compensation of owners - None

Unauthorized distribution to owners - None

SUPPORTING DATA REQUIRED BY HUD (Continued)

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

Year Ended December 31, 1980

Changes in fixed assets:

	Assets		Accumulated Depreciation			Net Book Value December 31, 1980	
	Balance January 1, 1980	Balance December 31, 1980	Balance January 1, 1980	Current Provision	Balance December 31, 1980		
Land	\$227,393	\$227,393				\$227,393	
Buildings and improvements	644,452	\$7,296	651,748	\$59,201	\$16,234	\$75,435	576,313
Equipment, furniture, and fixtures	13,915	234	14,149	3,966	1,376	5,342	8,807
	<u>\$885,760</u>	<u>\$7,530</u>	<u>\$893,290</u>	<u>\$63,167</u>	<u>\$17,610</u>	<u>\$80,777</u>	<u>\$812,513</u>



SUPPORTING DATA REQUIRED BY HUD (Continued)

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

For the Year Ended December 31, 1980

Statement of receipts and disbursements:

SOURCE OF CASH

Operations:

Income:

Rental

\$202,502

Other

3,053

\$205,555

Expenditures:

Administrative expense

13,876

Operating expense

39,317

Maintenance

42,653

Taxes and insurance

5,452

Financial expense

76,587

177,885

CASH PROVIDED BY OPERATIONS

27,670

Contributions

7,500

35,170

APPLICATION OF CASH

Increase in investments

15,371

Increase in cash and investments held
for replacements

11,772

Purchase of property, plant, and equipment

7,530

Decrease in mortgage note payable

3,588

Other

4,236

42,497

DECREASE IN CASH

(7,327)

Cash at January 1, 1980

7,681

CASH IN BANKS AT DECEMBER 31, 1980

\$ 354

SUPPORTING DATA REQUIRED BY HUD (Continued)

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

December 31, 1980

Auditors' Comments on Compliance and Internal Controls:

Housing Authority of the City of Sacramento
Sacramento, California

We have examined the financial statements of the Ping Yuen Center for the year ended December 31, 1980 and have issued our report thereon dated February 20, 1981. The financial records for Ping Yuen Center are maintained by the Housing Authority of the City of Sacramento. As a part of our examination, we reviewed and tested the Housing Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. Our review also took into consideration the audit requirements in Paragraph 7 of the HUD Audit Guide for Mortgagors having HUD Insured or Secretary Held Multiplefamily Mortgages.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the objective of those administrative control procedures comprehended in HUD's criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived, and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to either the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

SUPPORTING DATA REQUIRED BY HUD (Continued)

HOUSING AUTHORITY OF THE
CITY OF SACRAMENTO
PING YUEN CENTER

December 31, 1980

Auditors' Comments on Compliance and Internal Controls (Continued)

We understand that procedures implemented in conformity with the criteria referred to in the first paragraph of this report are considered by HUD to be adequate for its purposes in accordance with the National Housing Act and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe the Housing Authority of the City of Sacramento's procedures would be adequate for the Agency's purposes.

This report is intended for use in connection with the project to which it refers and should not be used for any other purpose.

Ernst & Whinney

Sacramento, California
February 20, 1981