

Lake Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended June 30, 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Lake Metropolitan Housing Authority
189 First Street
Painesville, OH 44077

We have reviewed the Independent Auditor's Report of the Lake Metropolitan Housing Authority, Lake County, prepared by Salvatore Consiglio CPA, Inc., for the audit period July 1, 2001 through 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 Lake Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 20, 2003

This Page is Intentionally Left Blank.

LAKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30,2002

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Balance Sheet - Proprietary Fund Type - Enterprise Fund	3
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Fund	4
Combined Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	5
Notes to the General Purpose Financial Statements	6-13
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	14-16
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	17 – 20
PHA's Statement and Certification of Actual Modernization Cost:	
- Grant Number OH12P025912-99	21
- Grant Number OH12P025501-00	22
Schedule of Expenditures of Federal Award	23
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	24-25
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	26-27
Schedule of Findings and Questioned Costs	28
Schedule of Prior Audit Findings	29

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC. E-mail: sconsiglio@aol.com

Independent Auditors' Report

Board of Directors
Lake Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Lake Metropolitan Housing Authority, Ohio, 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 Lake Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

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

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

In accordance with *Government Auditing Standards*, I have also issued a report dated November 8, 2002, on my consideration of Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting and my 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 result of our audit.

My Audit was performed for the purpose of forming and opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Lake Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Award 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 not a required part of the general purpose financial statements. The combining financial data schedule ("FDS") and PHA's Statement and Certification of Actual Modernization Costs are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio
Certified Public Accountant

November 8, 2002

Lake Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type
 Enterprise Fund
 June 30, 2002

ASSETS

Cash and Cash Equivalents	\$557,146
Investments	1,762,338
Receivables - Net of Allowance	302,398
Deferred Charges and Other assets	28,317
Total Current Assets	2,650,199
Fixed Assets - Net of Accumulated Depreciation	6,927,732
TOTAL ASSETS	\$9,577,931

LIABILITIES AND FUND EQUITY

CURRENT LIABILITES:	
Accounts Payable	\$77,753
Intergovernmental Payables	133,593
Accrued Wages/Payroll Taxes	22,149
Tenant Security Deposits	36,281
Deferred Credits and Other Liabilities	73,190
TOTAL CURRENT LIABILITES	342,966
Non-current Liabilities	
Other Long-Term Liabilities	47,193
Total Non-current Liabilities	47,193
TOTAL LIABILITIES	390,159
Fund Equity	
Contributed Capital Restated (See Note 9)	7,186,391
Unreserved fund	2,001,381
TOTAL FUND EQUITY	9,187,772
TOTAL LIABILITIES AND FUND EQUITY	\$9,577,931

The accompanying notes to the general purpose financial statements are an integral part of these statements.

Lake Metropolitan Housing Authority
 Combined Statement of Revenue, Expenses and Change in Fund Equity
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended June 30, 2002

<u>REVENUE</u>	
Tenant Rental Revenue	\$425,644
Program Grants/Subsidies	7,395,555
Interest	96,925
Other Income	22,810
	7,940,934
TOTAL REVENUE	7,940,934
<u>EXPENSES</u>	
Administrative	720,391
Utilities	165,737
Maintenance	320,571
Protective Services	8,706
General	57,910
Housing Assistance Expenses	5,838,543
Depreciation Expense	711,641
	7,823,499
TOTAL EXPENSES	7,823,499
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	117,435
BEGINNING FUND EQUITY	8,827,894
PRIOR PERIOD ADJUSTMENTS	242,443
	\$9,187,772
ENDING FUND EQUITY	\$9,187,772

The accompanying notes to the general purpose financial statements are an integral part of these statements.

Lake Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Operating Income/(Loss)	\$ 117,435
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	711,641
- (Increases) Decreases in Accounts Receivable	(126,056)
- Increases (Decreases) Accounts Payable	<u>(563,740)</u>
 Total Adjustments	 <u>21,845</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>139,280</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Balance Transferred to Cash	(146,117)
Purchase of Assets	<u>(528,670)</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(674,787)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (535,507)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>1,092,653</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$557,146</u>

The accompanying notes to the general purpose financial statements are an integral part of these statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards 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.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

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

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2002 totaled \$96,925.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

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.

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 absence 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

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Budgetary Accounting

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

Estimates

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

NOTE 2: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the PHA's name.

Category 3 – Uncollateralized.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2002
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$622,526	\$622,526	\$ -0-	\$ -0-	\$557,146
Investments	1,762,338	1,762,338	-0-	-0-	1,762,338
Total Deposits	<u>\$2,384,864</u>	<u>\$2,384,865</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$2,319,484</u>

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

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

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA’s name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the PHA’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the PHA’s name.

The PHA’s nonnegotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2002 the 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.

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

NOTE 5: FIXED ASSETS

The following is a summary:

Land	\$850,320
Buildings	10,078,717
Furniture, Machinery and Equipment	1,525,168
Construction in Progress	408,191
Total Fixed Assets	12,862,396
Accumulated Depreciation	(5,934,664)
Net Fixed Assets	\$6,927,732

The following is a summary of changes:

	Balance 06/30/01	Adjust.	Additions	Deletion	Balance 06/30/02
Land	\$850,320	\$0	\$0	\$0	\$850,320
Buildings	9,480,398	129,002	469,317	0	10,078,717
Furnt, Mach. and Equip.	1,506,138	0	19,030	0	1,525,168
Construction in Progress	212,609	155,259	40,323	0	408,191
Total Fixed Assets	\$12,049,465	\$284,261	\$528,670	\$0	\$12,862,396

The depreciation expense for the year ended June 30, 2002 was \$711,641.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2002
(CONTINUED)

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee 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 employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended June 30, 2002, 2001 and 2000 were \$69,214, \$63,615, and \$63,268, respectively. The full amount has been contributed for 2001 and 2000. Ninety-one percent has been contributed for 2002, with the remainder being reported as a liability with the enterprise fund.

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post retirement health cares through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of cover payroll.

The significant actuarial assumptions, based on PERS's 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

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2002
(CONTINUED)

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

compounded annually for inflation (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 annual 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.

Benefits are advance-funded using the entry age normal cost method. The number of active contributing participants was 411,076. The actuarial value of PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 8: PRIOR PERIOD ADJUSTMENT

The Equity balance at June 30, 2001 was adjusted by \$242,443 as follows:

- 1.) To write-off from the Section 8 New Construction Program an account receivable from HUD of \$28,819 that will not be collected.
- 2.) Adjustment made by HUD for the Voucher Program administration fees earned in June 30, 2001 of \$1,055.
- 3.) Adjustment to the Development Project to properly state the fixed asset amount of \$349,460.
- 4.) Adjustment to the CIAP Project of \$27,532 too close-out the program.
- 5.) Adjustment to the Public Housing of \$49,611 to properly state the Fixed Assets balance.

NOTE 9: CONTRIBUTED CAPITAL

Due to the prior period adjustments explained in note 8, the contributed capital as of June 30, 2001 had to be restated. A reclassification adjustment of \$41,945 between Contributed Capital and Unreserved Fund Balance was necessary.

Lake Metropolitan Housing Authority
 Combined Balance Sheet
 FDS Schedule Submitted To REAC
 Proprietary Fund Type – Enterprise Fund
 June 30, 2002

FDS Line Item No.	Account Description	Low Rent 14.850a	Sect. 8 Rental		Develop. Program 14.850b	Sect. 8 New Construction Program 14.182		Capital Fund Program 14.872	State & Local	TOTAL
			Voucher Program 14.871	Certificate Program 14.857		CIAP 14.852				
ASSETS:										
CURRENT ASSETS:										
Cash:										
111	Cash – unrestricted	\$288,542	\$175,624	0	0	\$81,465	0	0	0	\$545,631
113	Cash – other restricted	0	11,515	0	0	0	0	0	0	11,515
100	Total cash	288,542	187,139	0	0	81,465	0	0	0	557,146
Accounts and notes receivables:										
121	Accounts Receivable - PHA Projects	0	237,492	0	0	26,977	0	0	0	264,469
124	Accounts receivable – other governments	0	0	0	0	0	0	0	0	0
125	Accounts receivable – miscellaneous	3,792	0	0	0	0	0	0	0	3,792
126	Accounts receivable – tenant dwelling rent	33,131	0	0	0	0	0	0	0	33,131
126	Allowance for doubtful accounts	(4,000)	0	0	0	0	0	0	0	(4,000)
126	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0
129	Accrued interest receivable	585	2,544	0	0	579	0	0	1,298	5,006
120	Total receivables, net of allowances for doubtful accounts	33,508	240,036	0	0	27,556	0	0	1,298	302,398
131	Investments – unrestricted	450,318	989,416	0	0	115,100	0	0	207,504	1,762,338
142	Prepaid expenses and other assets	22,392	5,925	0	0	0	0	0	0	28,317
144	Interprogram due from	0	50,000	0	0	0	0	0	0	50,000
150	TOTAL CURRENT ASSETS	794,760	1,472,516	0	0	224,121	0	0	208,802	2,700,199

Lake Metropolitan Housing Authority
 Combined Balance Sheet
 FDS Schedule Submitted To REAC
 Proprietary Fund Type – Enterprise Fund
 June 30, 2002

FDS Line Item No.	Account Description	Low Rent 14.850a	Sect. 8 Rental		Develop. Program 14.850b	Sect. 8 New	CIAP 14.852	Capital Fund Program 14.872	State & Local	TOTAL
			Voucher Program 14.871	Certificate Program 14.857		Construction Program 14.182				
NONCURRENT ASSETS:										
Fixed assets:										
161	Land	850,320	0	0	0	0	0	0	0	850,320
162	Buildings	10,078,717	0	0	0	0	0	0	0	10,078,717
163	Furniture, equipment & machinery – dwellings	253,365	0	0	0	0	0	0	0	253,365
164	Furniture, equipment & machinery – administration	1,070,875	149,884	0	0	51,044	0	0	0	1,271,803
165	Leasehold Improvements	0	0	0	0	0	0	0	0	0
166	Accumulated depreciation	(5,773,992)	(109,628)	0	0	(51,044)	0	0	0	(5,934,664)
167	Construction in progress	0	0	0	367,868	0	0	40,323	0	408,191
160	Total fixed assets, net of accumulated depreciation	6,479,285	40,256	0	367,868	0	0	40,323	0	6,927,732
180	TOTAL NONCURRENT ASSETS	6,479,285	40,256	0	367,868	0	0	40,323	0	6,927,732
190	TOTAL ASSETS	\$7,274,045	\$1,512,772	\$0	\$367,868	\$224,121	\$0	\$40,323	\$208,802	\$9,627,931
LIABILITIES AND EQUITY:										
LIABILITIES										
CURRENT LIABILITIES										
312	Accounts payable < 90 days	\$ 73,366	\$4,387	\$0	0	\$0	\$0	\$0	\$0	\$77,753
321	Accrued wages and payroll taxes payable	10,395	11,463	0	0	291	0	0	0	22,149

Lake Metropolitan Housing Authority
 Combined Balance Sheet
 FDS Schedule Submitted To REAC
 Proprietary Fund Type – Enterprise Fund
 June 30, 2002

FDS Line Item No.	Account Description	Low Rent 14.850a	Sect. 8 Rental		Develop. Program 14.850b	Sect. 8 New Construction Program 14.182		CIAP 14.852	Capital Fund Program 14.872	State & Local	TOTAL
			Voucher Program 14.871	Certificate Program 14.857							
333	Accounts payable - other government	133,593	0	0	0	0	0	0	0	0	133,593
341	Tenant security deposit	36,281	0	0	0	0	0	0	0	0	36,281
342	Deferred revenue	0	0	0	0	0	0	0	0	0	0
345	Other current liabilities	61,675	11,515	0	0	0	0	0	0	0	73,190
347	Interprogram due to	50,000	0	0	0	0	0	0	0	0	50,000
310	Total Current Liabilities	<u>365,310</u>	<u>27,365</u>	<u>0</u>	<u>0</u>	<u>291</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>392,966</u>
354	Accrued Compensated Absences - Non current	24,371	21,912	0	0	910	0	0	0	0	47,193
350	Total Noncurrent Liabilities	<u>24,371</u>	<u>21,912</u>	<u>0</u>	<u>0</u>	<u>910</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,193</u>
300	TOTAL LIABILITIES	<u>389,681</u>	<u>49,277</u>	<u>0</u>	<u>0</u>	<u>1,201</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>440,159</u>
	EQUITY:										
	Contributed Capital:										
504	Net HUD PHA contributions	6,681,717	0	0	367,868	136,806	0	0	0	0	7,186,391
508	Total contributed capital	<u>6,681,717</u>	<u>0</u>	<u>0</u>	<u>367,868</u>	<u>136,806</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,186,391</u>
511	Total Reserved Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
512	Undesignated fund balance/retained earnings	202,647	1,463,495	0	0	86,114	0	40,323	208,802	2,001,381	2,001,381
513	TOTAL EQUITY	<u>6,884,364</u>	<u>1,463,495</u>	<u>0</u>	<u>367,868</u>	<u>222,920</u>	<u>0</u>	<u>40,323</u>	<u>208,802</u>	<u>9,187,772</u>	<u>9,187,772</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$7,274,045</u>	<u>\$1,512,772</u>	<u>\$0</u>	<u>\$367,868</u>	<u>\$224,121</u>	<u>\$0</u>	<u>\$40,323</u>	<u>\$208,802</u>	<u>\$9,627,931</u>	<u>\$9,627,931</u>

Lake Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent 14.850a	Sect. 8 Rental		Develop. Program 14.850b	Sect. 8 New Construction Program 14.182		CIAP 14.852	Capital Fund Program 14.872	State & Local	TOTAL
			Voucher Program 14.871	Certificate Program 14.857							
REVENUE:											
703	Net tenant rental revenue	\$419,459	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$419,459
704	Tenant revenue - other	6,185	0	0	0	0	0	0	0	0	6,185
705	Total Tenant Revenue	425,644	0	0	0	0	0	0	0	0	425,644
706	HUD PHA grants	401,503	5,963,888	0	0	443,838	0	0	0	0	6,809,229
706.1	Capital Grants	0	0	0	10,263	0	178,365	397,698	0	0	586,326
711	Investment income - unrestricted	20,377	57,657	0	0	7,293	0	0	11,598	0	96,925
715	Other revenue	14,923	7,880	0	0	7	0	0	0	0	22,810
700	TOTAL REVENUE	862,447	6,029,425	0	10,263	451,138	178,365	397,698	11,598	0	7,940,934
EXPENSES:											
Administrative:											
911	Administrative salaries	103,219	287,835	0	0	7,473	0	0	0	0	398,527
912	Auditing fees	3,426	3,426	0	0	0	0	0	0	0	6,852
915	Employee benefit contributions- administrative	21,314	94,178	0	0	1,089	0	0	0	0	116,581
916	Other operating- administrative	58,012	77,805	0	0	2,808	0	59,806	0	0	198,431

Lake Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent 14.850a	Sect. 8 Rental		Develop. Program 14.850b	Sect. 8 New Construction Program 14.182		CIAP 14.852	Capital Fund Program 14.872	State & Local	TOTAL
			Voucher Program 14.871	Certificate Program 14.857							
	Utilities:										
931	Water	11,946	92	0	0	0	0	0	0	0	12,038
932	Electricity	107,213	1,581	0	0	0	0	0	0	0	108,794
933	Gas	24,286	119	0	0	0	0	0	0	0	24,405
938	Other utilities	20,500	0	0	0	0	0	0	0	0	20,500
	Ordinary maintenance & operation:										
941	Ordinary maintenance and operations - labor	122,295	11,463	0	0	291	0	0	0	0	134,049
942	Ordinary maintenance and operations - materials and other	54,738	2,796	0	0	0	0	0	0	0	57,534
943	Ordinary maintenance and operations - contract costs	83,013	8,051	0	0	0	0	0	0	0	91,064
945	Emp. Benefit Contribution - Ordinary Maintenance	28,229	0	0	0	0	0	0	0	0	28,229
952	Protective services - other contract costs	8,593	113	0	0	0	0	0	0	0	8,706
	General expenses:										
961	Insurance premiums	21,574	5,846	0	0	0	0	0	0	0	27,420
962	Other general expenses	4,991	0	0	0	0	0	0	0	0	4,991
963	Payments in Lieu of Taxes	25,499	0	0	0	0	0	0	0	0	25,499
969	TOTAL OPERATING EXPENSES	698,848	493,305	0	0	11,661	0	59,806	0	0	1,263,620
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	163,599	5,536,120	0	10,263	439,477	178,365	337,892	11,598	0	6,677,314

Lake Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent 14.850a	Sect. 8 Rental		Develop. Program 14.850b	Sect. 8 New		Capital Fund Program 14.872	State & Local	TOTAL
			Voucher Program 14.871	Certificate Program 14.857		Construction Program 14.182	CIAP 14.852			
971	Extraordinary maintenance	9,695	0	0	0	0	0	0	0	9,695
973	Housing assistance payments	0	5,420,914	0	0	417,629	0	0	0	5,838,543
974	Depreciation expense	691,929	19,562	0	0	150	0	0	0	711,641
900	TOTAL EXPENSES	1,400,472	5,933,781	0	0	429,440	0	59,806	0	7,823,499
1010	Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	0	0
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) EXPENSES	(538,025)	95,644	0	10,263	21,698	178,365	337,892	11,598	117,435
1101	Capital outlay enterprise fund	0	0	0	0	0	0	0	0	0
1102	Debt Principal Payments - Enterprise Funds	0	0	0	0	0	0	0	0	0
1103	Beginning equity	6,819,134	58,264	1,310,642	8,145	230,041	204,464	0	197,204	8,827,894
1104	Prior period adjustments and equity transfers	603,255	1,309,587	(1,310,642)	349,460	(28,819)	(382,829)	(297,569)	0	242,443
	ENDING RETAINED EARNINGS	\$6,884,364	\$1,463,495	\$0	\$367,868	\$222,920	\$0	\$40,323	\$208,802	\$9,187,772

Lake Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent 14.850a	Sect. 8 Rental		Develop. Program 14.850b	Sect. 8 New	CIAP 14.852	Capital Fund Program 14.872	State & Local	TOTAL
			Voucher Program 14.871	Certificate Program 14.857		Construction Program 14.182				
MEMO ACCOUNT INFORMATION:										
1113	Maximum annual contributions commitment (per ACC)	0	5,238,014	0	0	0	0	0	0	5,238,014
1114	Prorata maximum annual contributions applicable to a Period of less than Twelve Months	0	0	0	0	0	0	0	0	0
1115	Contingency reserve, ACC program reserve	0	1,901,909	0	0	948,329	0	0	0	2,850,238
1116	Total annual contributions available	0	7,139,923	0	0	948,329	0	0	0	8,088,252
1120	Unit months available	2,880	12,480	0	0	936	0	0	0	16,296
1121	Number of unit months leased	2,856	11,647	0	0	936	0	0	0	15,439

Lake Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2002

Comprehensive Improvement Assistance Program Grant Number OH12P025912-99

1. The Actual Modernization Costs are as follows:

Funds Approved	\$376,212
Funds Expended	<u>376,212</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on February 15, 2002.
4. The final costs on the certification agree to the Authority's records.

Lake Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2002

Capital Fund Program Grant Number OH12P025501-00

1. The Actual Modernization Costs are as follows:

Funds Approved	\$357,375
Funds Expended	<u>357,375</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

5. All costs have been paid and there are no outstanding obligations.
6. The actual modernization cost certification was signed and filed on July 3, 2003.
7. The final costs on the certification agree to the Authority's records.

Lake Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended June 30, 2002

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$ 401,503
Development	14.850b	10,263
Public Housing – Comprehensive Improvement Assistance Program	14.852	178,365
Housing Choice Voucher Program	14.871	5,963,888
Public Housing Capital Fund Program	14.872	397,698
Section 8 Project Based Program Section 8 New Construction Program	14.182	<u>443,838</u>
Total Expenditure of Federal Award		<u>\$7,395,555</u>

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC. E-mail: sconsiglio@aol.com

**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 Directors
Lake Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2002, and have issued my report thereon dated November 8, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United State 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 Lake Metropolitan Housing Authority, Ohio's general purpose financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Lake Metropolitan Housing Authority, Ohio, in a separate letter dated November 8, 2002.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My 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

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Lake Metropolitan Housing Authority, Ohio, in a separate letter dated November 8, 2002.

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

A handwritten signature in cursive script, reading "Salvatore Consiglio".

Salvatore Consiglio
Certified Public Accountant

November 8, 2002

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC. E-mail: sconsiglio@aol.com

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

Board of Directors
Lake Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Lake Metropolitan Housing Authority, Ohio, 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. Lake Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Lake Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my 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 I 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 Lake Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Lake Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Lake Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

Internal Control Over Compliance

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

My 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. I noted no matters involving the Internal control over compliance and its operation that I considered to be material weaknesses.

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



Salvatore Consiglio
Certified Public Accountant

November 8, 2002

Lake Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS
--

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA #14.850a, 14.871, 14.872 and 14.182
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended June 30, 2002.

3. FINDINGS REALTED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended June 30, 2002.

Lake Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2002

The audit report for the fiscal year ending June 30, 2001 contained not audit finding.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LAKE METROPOLITAN HOUSING AUTHORITY

LAKE 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
APRIL 3, 2003**