

Lake Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended June 30, 2003



**Auditor of State
Betty Montgomery**

Board of Commissioners
Lake Metropolitan Housing Authority

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, 2002 through June 30, 2003. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 24, 2004

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LAKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2003

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SALVATORE CONSIGLIO, CPA, INC.

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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, 2003, 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, 2003, 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 30, 2003, 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.

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

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 Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the general purpose financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is 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 general purpose financial statements and, in my opinion, is fairly presented in all material respect in relation to the general purpose financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

December 30, 2003

Lake Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type
 Enterprise Fund
 June 30, 2003

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$1,376,725
Investments	1,694,986
Receivables - Net of Allowance	173,777
Interprogram due from	82,995
Deferred Charges and Other assets	32,591
Total Current Assets	<u>3,361,074</u>

Fixed Assets - Net of Accumulated Depreciation	<u>6,316,924</u>
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TOTAL ASSETS	<u>\$9,677,998</u>
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LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts Payable	\$67,493
Interprogram due from	82,995
Intergovernmental Payables	376,561
Accrued Wages/Payroll Taxes	37,668
Tenant Security Deposits	35,872
Deferred Credits and Other Liabilities	105,678
Total Current Liabilities	<u>706,267</u>

Non-current Liabilities

Other Long-Term Liabilities	26,701
Total Non-current Liabilities	<u>26,701</u>

TOTAL LIABILITIES	<u>732,968</u>
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Fund Equity

Contributed Capital	7,186,391
Unreserved fund	1,758,639

TOTAL FUND EQUITY	<u>8,945,030</u>
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TOTAL LIABILITIES AND FUND EQUITY	<u>\$9,677,998</u>
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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, 2003

<u>REVENUE</u>	
Tenant Rental Revenue	\$431,942
Program Grants/Subsidies	8,771,202
Interest	37,766
Other Income	32,798
	9,273,708
TOTAL REVENUE	
<u>EXPENSES</u>	
Administrative	752,290
Utilities	193,554
Maintenance	321,907
Protective Services	36,393
General	64,418
Housing Assistance Expenses	7,198,339
Depreciation Expense	666,204
Loss on Sale of Assets	139,300
	9,372,405
TOTAL EXPENSES	
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER)	
TOTAL EXPENSES	(98,697)
BEGINNING FUND EQUITY	
	9,187,772
PRIOR PERIOD ADJUSTMENTS	
	(144,045)
ENDING FUND EQUITY	
	\$8,945,030

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, 2003

Cash Flows from Operating Activities:

Cash received from tenants	\$403,435
Cash received from grantor	8,801,157
Cash paid to suppliers and employees	(1,088,725)
Cash Paid for Housing Assistance	(7,198,339)
Interest received	<u>37,766</u>
 Net cash provided by operating activities	 <u>955,294</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash transfer to investments	<u>100,000</u>
 Net Cash used by investing activities	 <u>100,000</u>

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:

Property and equipment purchased	(394,876)
Proceeds from Sale of Assets	<u>149,198</u>
 Net cash used for capital and financing activities	 <u>(245,678)</u>
 Net Increase (Decrease) in Cash	 809,616
Adjustment to Reconcile Cash Flows Statement	9,963
Cash and cash equivalents - Beginning of Year	<u>557,146</u>
 Cash and cash equivalents - End of Year	 <u>\$1,376,725</u>

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 – Continued
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended June 30, 2003

Reconciliation of Net Income to Cash Provided by Operating Activities:

Net income	(\$98,697)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	666,204
(Gain) Loss on disposal of assets	139,300
(Increase) Decrease in accounts receivable	184,240
(Increase) Decrease in prepaid expenses	(4,274)
Increase (Decrease) in accounts payable	41,415
Increase (Decrease) in accrued expenses	(4,973)
Increase (Decrease) in other liabilities	32,488
Increase (Decrease) in tenant security deposit payable	(409)
	\$955,294
Net cash provided by operating activities	\$955,294

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, 2003

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, 2003
(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, 2003
(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, 2003 totaled \$37,766.

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, 2003
(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

Legal and Other Requirements - The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority's written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, and obligations of certain political subdivisions of Ohio, and the United States government and its agencies. These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

Deposits

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

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

Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

Investments

Category 1 Insured or registered, or securities held by the Authority or its agent in the Authority's name.

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

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

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash on Hand

At fiscal year end, the Authority had \$250 in undeposited cash on hand, which is included on the statement of net assets as part of "Cash and Cash Equivalents".

Deposits - At year-end, the carrying amount of the Authority's deposits was \$1,881,461 and the bank balance was \$1,971,236 the difference representing outstanding checks and other in-transit items. \$311,593 of the bank balance was covered by federal depository insurance. The remainder was uninsured and uncollateralized, but was covered by a pledged collateral pool, as allowed by State law.

Investments - The Authority's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year-end. The risk categories were described previously in this footnote.

<u>Category</u>	<u>Cost</u>	<u>Fair Value</u>
3 Repurchase Agreement	\$1,190,000	\$1,190,000
Total	<u>\$1,190,000</u>	<u>\$1,190,000</u>

The classification of cash and cash equivalents and investments on the general purpose financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification of cash and investments on the general purpose financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$1,376,725	\$1,694,986
Petty Cash	(250)	
Part of Pool:		
Repurchase Agreement	(1,190,000)	1,190,000
Certificate of Deposit	1,694,986	(1,694,986)
GASB Statement 3	<u>\$1,881,461</u>	<u>\$1,190,000</u>

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.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

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, 2003 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	\$711,020
Buildings	10,078,202
Furniture, Machinery and Equipment	1,557,850
Construction in Progress	770,385
Total Fixed Assets	13,117,457
Accumulated Depreciation	(6,800,533)
Net Fixed Assets	\$6,316,924

The following is a summary of changes:

	Balance 06/30/02	Adjust.	Additions	Deletion	Balance 06/30/03
Land	\$850,320	\$-0-	\$-0-	(\$139,300)	\$711,020
Buildings	10,078,717	-0-	-0-	(515)	10,078,202
Furnt, Mach. and Equip.	1,525,168	-0-	32,682	-0-	1,557,850
Construction in Progress	408,191	-0-	362,194	-0-	770,385
Total Fixed Assets	\$12,862,396	\$-0-	\$394,876	(\$139,815)	\$13,117,457

The depreciation expense for the year ended June 30, 2003 was \$666,204.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

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

All full-time employees of the authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement systems administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for the authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The authority required contributions to OPERS for the years ended June 30, 2003, 2002, and 2001 were \$73,187, \$69,214 and \$63,615 respectively. Ninety-Two percent has been contributed for 2003. All required contributions for the two previous years have been paid.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No.12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2003 was 5.0 percent of covered payroll, which amounted to \$27,006. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

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

OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range for 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively

NOTE 8: PRIOR PERIOD ADJUSTMENT

Beginning fund equity needed to be adjusted by \$144,045. The adjustments made were as follows:

- Adjustment to reflect corrections to form HUD-52681 made by HUD for the administration fees earned in the Housing Choice Voucher Program for the fiscal year ended June 30, 2002 of \$55,619.
- Adjustment to properly state accumulated depreciation in the Low Rent Program of \$199,664.

Lake Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash – Unrestricted	\$95,685	\$319,152	\$149,217	\$754,251	\$0	\$0	\$1,318,305
113	Cash - Other Restricted	0	0	0	58,420	0	0	58,420
100	Total Cash	95,685	319,152	149,217	812,671	0	0	1,376,725
122	Accounts Receivable - HUD Other Projects	27,923	0	4,423	0	39,636	0	71,982
125	Accounts Receivable – Miscellaneous	0	2,081	42,076	0	0	0	44,157
126	Accounts Receivable - Tenants - Dwelling Rents	0	61,638	0	0	0	0	61,638
126.1	Allowance for Doubtful Accounts - Dwelling Rents	0	(4,000)	0	0	0	0	(4,000)
120	Total Receivables, net of allowances for doubtful accounts	27,923	59,719	46,499	0	39,636	0	173,777
131	Investments – Unrestricted	117,579	358,815	0	1,005,773	0	212,819	1,694,986
142	Prepaid Expenses and Other Assets	0	24,261	0	8,330	0	0	32,591
144	Interprogram Due From	0	19,405	0	63,590	0	0	82,995
150	Total Current Assets	241,187	781,352	195,716	1,890,364	39,636	212,819	3,361,074
161	Land	0	711,020	0	0	0	0	711,020
162	Buildings	0	10,078,202	0	0	0	0	10,078,202
163	Furniture, Equipment & Machinery - Dwellings	0	259,914	0	0	0	0	259,914
164	Furniture, Equipment & Machinery - Administration	51,044	1,076,727	0	170,165	0	0	1,297,936
166	Accumulated Depreciation	(51,044)	(6,622,566)	0	(126,923)	0	0	(6,800,533)
167	Construction In Progress	0	0	373,395	0	396,990	0	770,385
160	Total Fixed Assets, Net of Accumulated Depreciation	0	5,503,297	373,395	43,242	396,990	0	6,316,924
190	Total Assets	\$241,187	\$6,284,649	\$569,111	\$1,933,606	\$436,626	\$212,819	\$9,677,998

Lake Metropolitan Housing Authority
 Combininig Balance Sheet
 FDS Schedule Submitted To REAC
 Proprietary Fund Type – Enterprise Fund
 June 30, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	\$0	\$31,163	\$0	\$11,644	\$24,686	\$0	\$67,493
321	Accrued Wage/Payroll Taxes Payable	447	16,670	0	6,467	0	0	23,584
322	Accrued Compensated Absences - Current Portion	734	6,029	0	7,321	0	0	14,084
331	Accounts Payable - HUD PHA Programs	0	0	191,293	101,937	0	0	293,230
333	Accounts Payable - Other Government	0	83,331	0	0	0	0	83,331
341	Tenant Security Deposits	0	35,872	0	0	0	0	35,872
345	Other Current Liabilities	0	47,258	0	58,420	0	0	105,678
347	Interprogram Due To	32	63,590	4,423	0	14,950	0	82,995
310	Total Current Liabilities	<u>1,213</u>	<u>283,913</u>	<u>195,716</u>	<u>185,789</u>	<u>39,636</u>	<u>0</u>	<u>706,267</u>
354	Accrued Compensated Absences - Non Current	0	12,059	0	14,642	0	0	26,701
350	Total Noncurrent Liabilities	<u>0</u>	<u>12,059</u>	<u>0</u>	<u>14,642</u>	<u>0</u>	<u>0</u>	<u>26,701</u>
300	Total Liabilities	<u>1,213</u>	<u>295,972</u>	<u>195,716</u>	<u>200,431</u>	<u>39,636</u>	<u>0</u>	<u>732,968</u>
504	Net HUD PHA Contributions	<u>136,806</u>	<u>6,681,717</u>	<u>367,868</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,186,391</u>
508	Total Contributed Capital	<u>136,806</u>	<u>6,681,717</u>	<u>367,868</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,186,391</u>
512	Undesignated Fund Balance/Retained Earnings	<u>103,168</u>	<u>(693,040)</u>	<u>5,527</u>	<u>1,733,175</u>	<u>396,990</u>	<u>212,819</u>	<u>1,758,639</u>
513	Total Equity/Net Assets	<u>239,974</u>	<u>5,988,677</u>	<u>373,395</u>	<u>1,733,175</u>	<u>396,990</u>	<u>212,819</u>	<u>8,945,030</u>
600	Total Liabilities and Equity/Net Assets	<u>\$241,187</u>	<u>\$6,284,649</u>	<u>\$569,111</u>	<u>\$1,933,606</u>	<u>\$436,626</u>	<u>\$212,819</u>	<u>\$9,677,998</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
June 30, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$424,244	\$0	\$0	\$0	\$0	\$424,244
704	Tenant Revenue - Other	0	7,698	0	0	0	0	7,698
705	Total Tenant Revenue	0	431,942	0	0	0	0	431,942
706	HUD PHA Operating Grants	500,263	463,509	0	7,435,236	10,000	0	8,409,008
706.1	Capital Grants	0	0	5,527	0	356,667	0	362,194
711	Investment Income - Unrestricted	2,162	8,389	0	23,198	0	4,017	37,766
715	Other Revenue	103	10,927	0	21,768	0	0	32,798
716	Gain/Loss on Sale of Fixed Assets	0	(139,300)	0	0	0	0	(139,300)
700	Total Revenue	502,528	775,467	5,527	7,480,202	366,667	4,017	9,134,408
911	Administrative Salaries	7,868	118,338	0	312,024	0	0	438,230
912	Auditing Fees	500	3,434	0	3,250	0	0	7,184
915	Employee Benefit Contributions - Administrative	1,650	38,548	0	98,380	0	0	138,578
916	Other Operating - Administrative	2,418	71,565	0	84,315	10,000	0	168,298
931	Water	0	31,691	0	116	0	0	31,807
932	Electricity	0	137,737	0	2,055	0	0	139,792
933	Gas	0	13,312	0	0	0	0	13,312
938	Other Utilities Expense	0	8,490	0	153	0	0	8,643
941	Ordinary Maintenance and Operations - Labor	0	101,898	0	0	0	0	101,898
942	Ordinary Maintenance and Operations - Materials and Other	0	50,784	0	4,136	0	0	54,920
943	Ordinary Maintenance and Operations - Contract Costs	234	125,020	0	6,997	0	0	132,251
945	Employee Benefit Contributions - Ordinary Maintenance	0	32,838	0	0	0	0	32,838
952	Protective Services - Other Contract Costs	0	34,845	0	1,548	0	0	36,393
961	Insurance Premiums	0	30,780	0	10,337	0	0	41,117
963	Payments in Lieu of Taxes	0	23,301	0	0	0	0	23,301
969	Total Operating Expenses	12,670	822,581	0	523,311	10,000	0	1,368,562
970	Excess Operating Revenue over Operating Expenses	489,858	(47,114)	5,527	6,956,891	356,667	4,017	7,765,846

Lake Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2003

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
973	Housing Assistance Payments	472,804	0	0	6,725,535	0	0	7,198,339
974	Depreciation Expense	0	648,909	0	17,295	0	0	666,204
900	Total Expenses	485,474	1,471,490	0	7,266,141	10,000	0	9,233,105
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	17,054	(696,023)	5,527	214,061	356,667	4,017	(98,697)
1103	Beginning Equity	222,920	6,884,364	367,868	1,463,495	40,323	208,802	9,187,772
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	0	(199,664)	0	55,619	0	0	(144,045)
	Ending Equity	\$239,974	\$5,988,677	\$373,395	\$1,733,175	\$396,990	\$212,819	\$8,945,030
1113	Maximum Annual Contributions Commitment (Per ACC)	\$105,426	\$0	\$0	\$7,779,294	\$0	\$0	\$7,884,720
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	0	0	0	0
1115	Contingency Reserve, ACC Program Reserve	560,143	0	0	1,582,004	0	0	2,142,147
1116	Total Annual Contributions Available	\$665,569	\$0	\$0	\$9,361,298	\$0	\$0	\$10,026,867
1120	Unit Months Available	936	2,880	0	13,290	0	0	17,106
1121	Number of Unit Months Leased	936	2,856	0	13,290	0	0	17,082

Lake Metropolitan Housing Authority
 Schedule of Expenditures Federal Award
 For the Year Ended June 30, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Section 8 New Construction Program	14.182	\$500,263
Low Rent Public Housing	14.850a	463,509
Low Rent Public Housing – Development Program	14.850b	5,527
Housing Choice Voucher Program	14.871	7,435,236
Capital Fund Program	14.872	<u>366,667</u>
Total Expenditure of Federal Award		<u>\$8,771,202</u>

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**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, 2003, and have issued my report thereon dated December 30, 2003. 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 December 30, 2003.

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. However, I noted certain matters involving the internal control over financial reporting and its operation that I have consider being reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my

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judgment, could adversely affect the Lake Metropolitan Housing Authority ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items GAS-2003-1 and GAS-2003-5.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider GAS-2003-2 to be material weaknesses. I have also noted other matters involving the internal control over financial reporting, which I have reported to management of Lake Metropolitan Housing Authority, Ohio's in a separate letter dated December 30, 2003.

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.



Salvatore Consiglio, CPA, Inc.

December 30, 2003

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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, 2003. 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.

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As described in item FED-2003-1 through FED-2003-9 in the accompanying schedule of findings and questioned costs, Lake Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions that are applicable to its Low Rent Public Housing and Housing Choice Voucher Programs. Compliance with such requirements is necessary, in my opinion, for Lake Metropolitan Housing Authority, Ohio, to comply with requirements applicable to those programs.

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, CPA, Inc.

December 30, 2003

Lake Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
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	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA #14.850a, 14.871, 14.872 and 14.172
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
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FINDING NUMBER	GAS-2003-1
----------------	------------

Outstanding Checks

The review of the outstanding checks as of June 30, 2003 bank reconciliation revealed that checks issued in 2000 are still carried as outstanding. A comment was issued in previous audit with a recommendation that a written policy and procedural be established documenting how these checks should be dealt with. The Authority is in the process of implementing the policy. However, the adjustments have not been made.

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

June 30, 2003 one bank account (Section 8 HAP Account) has a negative carrying balance of (\$19,841). However, the bank balance as of June 30, 2003 was \$5,234. The Authority staff explained that the negative balance is because of all of the outstanding checks that are still carried on the books. It was explained that staff did not feel that those checks will be cashed. However, if the checks do clear the bank, the Authority will incur NSF charges.

Recommendation:

The outstanding checks need to be investigated further and either re-issue a replacement checks or void in the accounting system.

FINDING NUMBER	GAS-2003-2
----------------	------------

LMHA Management Fund

The Authority has 3 certificate of deposit totaling \$212,819 that are identified as LMHA Management Funds. The cash balances in this certificate of deposits are not reflected in the PHA accounting records. However, the cash balance was properly reflected in the financial statements submitted to REAC.

Recommendation:

In order to properly safeguard assets, I strongly recommend that the certificate of deposits be recorded in the accounting records.

FINDING NUMBER	GAS-2003-3
----------------	------------

Bank Reconciliation

A review of the June 30, 2003 bank reconciliations revealed several reconciling variances. As of the last day of the field work (December 30, 2003) the adjustments for the reconciliation errors have not been recorded in the accounting records.

It is very important that cash is properly reconciled on a timely basis. Knowing the correct cash balance is crucial in making proper management decisions.

Recommendation

Bank accounts should be reconciled on a monthly basis.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

FINDING NUMBER	GAS-2003-4
----------------	------------

Credit Cards

Audit procedures over the Authority credit card with Key Bank revealed the following:

- 1.) Available cash advance balance of \$9,000.
- 2.) Total late fee and finance charges assessed during the audit period of \$56.
- 3.) Payment made on statement without attached supporting documentations.

Management was not aware of the cash advance feature on the credit card. Once this was brought to their attention, a letter was submitted requesting that this feature be removed at once.

Recommendation:

No payment should be made without proper supporting documentation. A statement alone is not proper documentation.

FINDING NUMBER	GAS-2003-4
----------------	------------

Proper Supporting Documentation

The result over 25 cash disbursement transactions revealed several errors:

- Two of the transactions tested showed that payments were made from a statement, not an actual invoice.
- A payment to Sherwin Williams was supported by a purchase order and a “charge correction form” from the vendor. The purchase order was for \$932.75. The correction statement from Sherwin Williams showed a charge for \$932.75 and correction of \$1,005.75 leaving a negative balance of \$73. However, a payment was issued for \$932.75.
- Some of the Statements received from vendors did not have all of the attached supporting documentation.

Lack of controls over disbursements leaves the Agency vulnerable for misuse.

Recommendation:

Individuals approving invoices for payment must exercise due care and review invoices for proper supporting documentation. No payment should be made without proper review and documentation.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

3. FINDINGS REALTED TO FEDERAL AWARDS

FINDING NUMBER	FED-2003-1
----------------	------------

Family Self Sufficiency Program

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

Audit procedures over the Family Self-Sufficiency Program revealed several errors:

- The June 30, 2003 cash balance per the FSS Coordinator does not reconcile with the financial statements.
- Interest earned is not distributed to the individual accounts. It was explained that interest is calculated and distributed at the completion of the program.
- The annual statements issued to the tenants in the program do not include interest earned.
- The monthly transfer into the escrow account does not reconcile with the FSS Coordinator reports.

No explanation was provided for the above variances.

24 CFR 984.305 requires that the PHA establishes a FSS Account. The total of the combined FSS account funds will be supported in the PHA accounting records by a subsidiary ledger showing the balance applicable to each FSS family. During the term of the contract of participation, the PHA shall credit periodically, but not less than annually, to each family's FSS account.... The investment income for funds in the FSS account will be prorated and credited to each family's FSS account based on the balance in each family's FSS account at the end of the period for which the investment income is credited.

Recommendation:

The Authority must review the tenant escrow balances to ascertain that the amount carried are correct. Interest earned in the account must be distributed to the individuals participating in the program on a monthly basis.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-2
----------------	------------

Release of Information Form

**U.S. Department of HUD
Low Rent Public Housing Program (CFDA # 14.850)**

Audit procedures over 15 Low Rent Public Housing Program tenant files revealed 4 errors. The files did not contain a signed form HUD-9886, release of authorization form.

24 CFR 5.230 states “Each member of the family of an assistance applicant or participant who is at least 18 years of age, and each family head and spouse regardless of age, shall sign one or more consent forms. The assistance applicant shall submit the signed consent forms to the processing entity when eligibility ... is being determined. A regular participant shall sign and submit consent forms at the next regularly scheduled income reexamination”.

Recommendation:

A signed form 9886 must be documented in the tenant files.

PHA Response:

Recommendation will be implemented. At next scheduled recertification the correct form will be obtained.

FINDING NUMBER	FED-2003-3
----------------	------------

Third Party Verification

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850a)**

A review of 15 Low Rent Public Housing tenant files revealed 2 error. No third party verification of income was documented in the files.

Section 24 CFR 960.259 (c)(1) and 982.51(a)(2) states “The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income based rent.”

Third party verification is defined as independent verification of income and/or expenses by contacting the individual income/expense source supplied by the family. The verification documentation must be supplied directly to the independent source by the Public Housing Authority (PHA) and returned directly to the PHA from the independent source.

Recommendation:

The PHA must comply with the above requirement.

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-4
----------------	------------

Utility Allowance

**U.S. Department of HUD
Housing Choice Voucher (CFDA # 14.871)
Low Rent Public housing (CFDA # 14.850)**

The result of audit procedures over tenant files revealed that the PHA is not updating the utility allowance schedule annually. In addition, some of the files reviewed did not document the schedule used for calculating the allowance amount.

Section 24 CFR 965.507 and 982.517 requires that The PHA must maintain a utility allowance schedule for all tenant-paid utilities for cost of tenant-supplied refrigerators and ranges, and for other tenant-paid housing services. In addition, PHA must review its schedule of utility allowances each year, and must revise its allowance for a utility category if there is a change of 10 percent or more in the utility rate since the last time the utility allowance schedule was revised.

Not complying with the above requirement can result in error in housing assistance and utility allowance provided to the tenant.

Recommendation:

The utility allowance schedule must be updated annually and the current form must be used and documented in the tenant files.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-5
----------------	------------

Rent Reasonableness

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

A review of 25 tenant files revealed that the Authority does not maintain a proper data base to determine rent reasonableness. The files reviewed did not document that rent reasonableness was performed.

24 CFR 982.507 requires that the PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units.

Recommendation:

The PHA must document that the landlord request for rent increase is reasonable.

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-6
----------------	------------

Payment Standard

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

A review of 25 tenant files revealed errors were the wrong payment standard was used to calculate the rent amount. This resulted in errors in calculating housing assistance amounts.

24 CFR 982.503 requires that the PHA adopt a payment standard that is used to calculate the monthly housing assistance payments. Also, it requires that each PHA must establish a separate payment standard amount by unit size.

Recommendation:

The PHA should review tenant files to ascertain that the correct payment standard is used. A quality control procedure should be implemented were someone other than the person completing the certification or recertification review the tenant's files.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-7
----------------	------------

Lease Agreement

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

A review of 25 files revealed that 5 files did not properly documented copy of the signed lease agreements. Therefore, for those files we were not able to ascertain that the contract rent amount documented on the form HUD-50058 is correct. This can result in wrong housing assistance payment.

24 CFR982.308 (b) requires that the tenant and the owner must enter into a written lease for the unit. The lease must be executed by the owner and the tenant.

Recommendation:

The PHA must obtain copy of the lease agreement for the file.

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-8
----------------	------------

Birth Certificate / Drivers License

**U.S. Department of HUD
Housing Choice Voucher (CFDA # 14.871)**

A review of 25 voucher files revealed several errors. The files did not contained copy of the participant birth certificate or driver's license.

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Recommendation:

The PHA must make sure that proper supporting documentation is retained in the files.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-9
----------------	------------

Annual Recertification

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850a)**

A review of 15 low rent tenant file revealed 6 errors. The Authority did not conduct the required annual reexamination of family income and composition.

24 CFR 960.257 states “families who pay an income-based rent, the PHA must conduct a reexamination of family income and composition at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information. Also, for families who choose flat rents, the PHA must conduct a reexamination of family composition at least annually, and must conduct a reexamination of family income at least once every three years.

The Authority did not comply with this requirement.

Recommendation:

The Authority must perform the required annual reexamination annually.

Lake Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2003

The audit report for the fiscal year ending June 30, 2002 contained not audit finding.

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Betty Montgomery**

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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 8, 2004**