

LORAIN METROPOLITAN HOUSING AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2004 and 2003



**Auditor of State
Betty Montgomery**

Board of Commissioners
Lorain Metropolitan Housing Authority
1600 Kansas Avenue
Lorain, Ohio 44052-3366

We have reviewed the Independent Auditor's Report of the Lorain Metropolitan Housing Authority, Lorain County, prepared by Barnes Wendling CPAs, Inc., for the audit period July 1, 2003 to June 30, 2004. 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 Lorain Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 29, 2004

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LORAIN METROPOLITAN HOUSING CORPORATION

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Building and maintaining net worth since 1946.

INDEPENDENT AUDITORS' REPORT

August 31, 2004

To the Board of Commissioners of
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have audited the accompanying statements of net assets of Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit, Lorain County Elderly Housing Corporation (LCEHC), a not for profit entity, as of June 30, 2004 and 2003 and the related statements of revenue, expenses, and changes in net assets and the statements of cash flows for the fiscal years then ended. These financial statements are the responsibility of the management of Lorain Metropolitan Housing Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lorain Metropolitan Housing Authority as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B, Lorain Metropolitan Housing Authority has implemented, as of June 30, 2003, a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board ("GASB") Statements No. 34 and 37, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.



To the Board of Commissioners of
Lorain Metropolitan Housing Authority
Lorain, Ohio

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2004 on our consideration of Lorain Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis information on Pages 3 through 11 is not a required part of the financial statements but is supplemental information required by the Government Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental 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 Lorain Metropolitan Housing Authority. The schedule of expenditures of federal awards is presented as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The combining Financial Data Schedule (FDS) is presented for additional analysis as required by the Department of Housing and Urban Development ("HUD"). These schedules are the responsibility of management of Lorain Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Barnes Wendling, CPAs Inc.

Lorain Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

The Lorain Metropolitan Housing Authority's (the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$287,051 (or .07%) during 2004. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$39,612,121 and \$39,325,070 for 2004 and 2003 respectively.
- The business-type activities revenue increased by \$511,504 (or 1.8%) during 2004, and were \$28,517,379 and \$28,005,875 for 2004 and 2003 respectively.
- The total expenses, before extraordinary items, of all Authority programs increased by \$2,323,608 (or 8.9%). Total expenses, before extraordinary items, were \$28,354,130 and \$26,030,522 for 2004 and 2003 respectively.

Financial Statements

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The financial statements include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, investing activities, and from capital and related financing activities.

The Authority's Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units, that it owns, to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding (previously known as Comprehensive Grant funding) to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a housing assistance payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Drug Elimination Program – This grant program, funded by the Department of Housing and Urban Development, is intended to reduce the use of illegal drugs within the Authority's properties.

New Approach Anti-Drug Program(Component Unit) – This grant program, funded by the Department of Housing and Urban Development, is intended to provide funding to owners of certain housing developments to augment security, assist in the investigation and prosecution of drug-related criminal activity and provide funds for capital improvements relating to enhancing security.

Resident Opportunities and Self-Sufficiency Program – This grant program, funded by the Department of Housing and Urban Development, is intended to assist residents to become economically self sufficient by providing supportive services and resident empowerment activities.

Shelter Plus Care Program – This grant program, funded by the Department of Housing and Urban Development, is designed to link rental assistance to supportive services for hard-to-reach homeless persons with disabilities (primarily those who are seriously mentally ill; have chronic problems with alcohol, drugs or both; or have acquired immune deficiency syndrome (AIDS) and related diseases) and their families.

Component Unit – The Lorain County Elderly Housing Corporation(LCEHC), a 501(c)(3) not for profit entity, was organized for the purpose of providing a comprehensive and coordinated system of services for the elderly in the Lorain County area of northeastern Ohio. LCEHC consists of two 100 unit apartment complexes, located in Elyria and Lorain.

Business Activities – These non-HUD resources were developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

	2004	2003
Current and Other Assets	\$10,382,502	\$12,516,069
Capital Assets	<u>35,449,013</u>	<u>34,822,281</u>
Total Assets	45,831,515	47,338,350
Other Liabilities	1,518,251	3,265,940
Long-Term Liabilities	<u>4,701,144</u>	<u>4,916,526</u>
Total Liabilities	6,219,395	8,182,466
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	32,019,471	31,671,538
Restricted	965,896	986,208
Unrestricted	<u>6,626,753</u>	<u>6,667,324</u>
Total Net Assets	<u>\$39,612,120</u>	<u>\$39,325,070</u>

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets were decreased by \$2,133,567 while current liabilities were decreased by \$1,747,689. Current assets (primarily cash and investments) and current liabilities decreased primarily due to the payment of recaptured Section 8 accumulated administrative fee reserves. For more detail see "Notes to the Financial Statement - Extraordinary Items".

Capital assets also changed significantly, increasing from \$34,822,281 to \$35,449,013. The \$626,732 increase may be attributed primarily to a combination of net acquisitions (\$3,368,842), less current year depreciation (\$2,739,495). For more detail see "Capital Assets and Debt Administration".

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets 6/30/03	\$6,667,324
Results of Operations	287,051
Adjustments:	
Depreciation	<u>2,739,495</u>
Adjusted Results from Operations	3,026,546
Capital Expenditures	<u>(3,067,117)</u>
Unrestricted Net Assets 6/30/04	<u>\$6,626,753</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

While the results of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2004	2003
Revenues		
Tenant Revenue - Rents and Other 705	\$2,315,145	\$2,417,764
Operating Subsidies and Grants 706	23,471,989	21,721,452
Capital Grants 706.1	2,513,516	3,493,395
Investment Income 711,720	123,802	256,247
Other Revenues 714,715,716	216,729	373,264
Total Revenue	28,641,181	28,262,122
Expenses		
Administrative 911-916	3,458,964	3,209,626
Tenant Services 921-924	193,922	245,710
Utilities 931-938	1,469,569	1,458,925
Maintenance 941-945	2,883,179	2,748,038
Protective Services 951-955	460,477	474,007
General-961-968	938,847	894,450
Housing Assistance Payments 973	16,209,677	14,450,564
Depreciation 974	2,739,495	2,549,202
Total Expenses before extraordinary item	28,354,130	26,030,522
Extraordinary Item	0	1,366,416
Total Expenses after extraordinary item	28,354,130	27,396,938
Net Increase	\$287,051	\$865,184

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Total revenues increased by \$379,059. This net increase is a result of a substantial increase in utilization and per unit cost in the Housing Choice Voucher Program and a decrease in Capital Fund subsidy issued and modernization activity in fiscal year 2004.

Total Expenses before extraordinary items increased \$2,323,608 primarily due to the utilization and per unit cost in the Housing Choice Voucher Program. Most expenses increased moderately due to inflation. However, property insurance rose by approximately 34%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$35,449,014 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$626,734 from the end of last year.

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Business-type Activities	
	2004	2003
Land	\$5,013,988	\$5,013,988
Buildings	62,984,738	60,715,626
Office Equipment	680,713	594,181
Maintenance Equipment	284,012	281,446
Vehicles	608,343	623,692
Construction in progress	1,510,284	559,486
Less: Accumulated depreciation	<u>(\$35,633,064)</u>	<u>(\$32,966,139)</u>
Total	<u>\$35,449,014</u>	<u>\$34,822,280</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes on fixed assets.

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	\$34,822,280
Additions	3,368,842
Retirements net of depreciation	(2,606)
Depreciation	<u>(2,739,495)</u>
 Ending Balance	 <u><u>\$35,449,021</u></u>

This year's major additions are:

Business – Type Activities

Capital Improvements Programs (modernization completed on variety of the Authority's Public Housing complexes)	\$3,234,861
Equipment purchases	\$133,981

Debt Outstanding

As of the year-end, the Authority's component unit had \$4,595,000 in debt (bonds) outstanding compared to \$4,750,000 last year, a \$155,000 decrease (debt retirement). No other debt was outstanding.

OUTSTANDING DEBT, AT YEAR-END

Business Type	2004	2003
Refinance of construction & acquisition	\$4,595,000	\$4,750,000
Less: Current Portion	<u>-\$165,000</u>	<u>-\$155,000</u>
 Total	 <u><u>\$4,430,000</u></u>	 <u><u>\$4,595,000</u></u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development and the subsidies provided to the Authority by the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, employee health care costs, insurances, rents, supplies and other costs.

FINANCIAL CONTACT

Information regarding this report can be obtained by contacting the Finance Director of the Lorain Metropolitan Housing Authority. Specific requests may be submitted to Finance Director, Lorain Metropolitan Housing Authority, 1600 Kansas Avenue, Lorain, OH 44052.

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Net Assets

	June 30, 2004			June 30, 2003		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
ASSETS						
Current Assets						
Cash and equivalents:						
Cash and cash equivalents	\$ 848,473	\$ 235,360	\$1,083,833	\$ 7,404,901	\$ 2,612,408	\$ 10,017,309
Cash - restricted	91,383		91,383	128,203		128,203
Cash - tenant security deposits	138,955	39,208	178,163	138,089	36,789	174,878
	1,078,811	274,568	1,353,379	7,669,193	2,649,197	10,318,390
Accounts and notes receivables:						
Accounts receivable - HUD other projects	334,441		334,441	892,313	1,233	893,546
Accounts receivable - miscellaneous	3,223	7,653	10,876	5,633	5,997	11,630
Accounts receivable - tenants net	56,033	2,303	58,336	63,047	3,374	66,421
Fraud recovery receivable	79,442		79,442	48,082		48,082
Accrued interest receivable	16,484	6,468	22,952			
	489,623	16,424	506,047	1,009,075	10,604	1,019,679
Investments - unrestricted	5,260,000	2,015,000	7,275,000			
Investments - restricted		874,513	874,513		860,005	860,005
Inventories net	235,431		235,431	232,556		232,556
Prepaid expenses and other assets	99,455	23,278	122,733	72,015	4,700	76,715
Interprogram due from other entities	15,399		15,399	8,724		8,724
TOTAL CURRENT ASSETS	7,178,719	3,203,783	10,382,502	8,991,563	3,524,506	12,516,069
NonCurrent Assets						
Land, structures, and equipment	63,765,640	7,316,439	71,082,079	61,040,761	6,747,659	67,788,420
Less accumulated depreciation	(32,046,505)	(3,586,561)	(35,633,066)	(29,545,027)	(3,421,112)	(32,966,139)
TOTAL NONCURRENT ASSETS	31,719,135	3,729,878	35,449,013	31,495,734	3,326,547	34,822,281
TOTAL ASSETS	\$38,897,854	\$6,933,661	\$45,831,515	\$40,487,297	\$6,851,053	\$47,338,350

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Net Assets

	June 30, 2004			June 30, 2003		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 239,834	\$ 94,543	\$ 334,377	\$ 582,342	\$ 17,503	\$ 599,845
Accrued wages and payroll taxes	196,644	16,250	212,894	166,892	11,072	177,964
Accrued compensated absences	194,613	10,895	205,508	135,754	8,295	144,049
Accrued interest payable		134,260	134,260		138,239	138,239
Accounts payable - HUD PHA programs				1,382,267		1,382,267
Accounts payable - PHA projects	14,954		14,954	284		284
Accounts payable - PILOT and other	31,960	22,090	54,050	44,726	21,894	66,620
Tenant security deposits	138,955	39,208	178,163	138,089	36,789	174,878
Current portion of long-term debt		165,000	165,000		155,000	155,000
Other current liabilities	196,009	7,638	203,647	248,882		248,882
Interprogram due to other entities		15,398	15,398	2	8,724	8,726
TOTAL CURRENT LIABILITIES	1,012,969	505,282	1,518,251	2,699,238	397,516	3,096,754
Non Current Liabilities						
Long-term debt, net of current portion		4,430,000	4,430,000		4,595,000	4,595,000
Accrued compensated absences	93,231	4,824	98,055	140,364	9,278	149,642
Noncurrent liabilities-FSS escrow and others	173,089		173,089	171,884		171,884
TOTAL NON CURRENT LIABILITIES	266,320	4,434,824	4,701,144	312,248	4,604,278	4,916,526
TOTAL LIABILITIES	1,279,289	4,940,106	6,219,395	3,011,486	5,001,794	8,013,280
NET ASSETS						
Contributed Capital						
Invested in capital assets, net of related debt	31,719,136	300,335	32,019,471	31,495,734	175,804	31,671,538
Temporarily restricted net assets	91,383	874,513	965,896	126,203	860,005	986,208
Unrestricted net assets	5,808,046	818,707	6,626,753	5,853,874	813,450	6,667,324
TOTAL NET ASSETS	37,618,565	1,993,555	39,612,120	37,475,811	1,849,259	39,325,070
TOTAL LIABILITIES AND NET ASSETS	\$38,897,854	\$6,933,661	\$45,831,515	\$40,487,297	\$6,851,053	\$47,338,350

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Assets

	June 30, 2004			June 30, 2003		
	Lorain Metropolitan Housing Authority	Component Unit		Lorain Metropolitan Housing Authority	Component Unit	
		Lorain County Elderly Housing Corporation	Total Memorandum Only		Lorain County Elderly Housing Corporation	Total Memorandum Only
Operating Revenue						
Net tenant rental revenue	\$ 1,697,739	\$ 459,774	\$ 2,157,513	\$ 1,810,054	\$ 470,979	\$ 2,281,033
Tenant revenue-other	<u>153,142</u>	<u>4,490</u>	<u>157,632</u>	<u>134,102</u>	<u>2,629</u>	<u>136,731</u>
	1,850,881	464,264	2,315,145	1,944,156	473,608	2,417,764
HUD PHA operating grants	22,614,760	857,229	23,471,989	20,896,630	824,822	21,721,452
Capital grants	2,507,108	6,408	2,513,516	3,492,131	1,264	3,493,395
Fraud recovery receivable	35,071		35,071	35,282		35,282
Other revenue	102,361	6,980	109,341	330,986	7,115	338,101
Gain(loss) on fixed assets	<u>72,417</u>	<u>(100)</u>	<u>72,317</u>	<u>(119)</u>		<u>(119)</u>
	27,182,598	1,334,781	28,517,379	26,699,066	1,306,809	28,005,875
Operating Expenses						
Administrative	3,199,040	259,924	3,458,964	2,965,871	243,755	3,209,626
Tenant services	191,340	2,582	193,922	240,041	5,669	245,710
Utilities	1,239,061	230,508	1,469,569	1,217,609	241,316	1,458,925
Ordinary maintenance and operation	2,680,520	202,659	2,883,179	2,532,138	215,900	2,748,038
Protective services	434,612	25,865	460,477	449,624	24,383	474,007
Insurance premiums	266,446	21,045	287,491	197,490	16,733	214,223
Other general expenses	(2)	3	1			
Payments in lieu of taxes	32,411	22,090	54,501	45,154	21,894	67,048
Bad debt	102,597	5,145	107,742	66,471	4,666	71,137
Severance expense	13,861		13,861	15,648		15,648
Extraordinary maintenance	155,316		155,316	218,633		218,633
Casualty losses - non-capitalized	26,643		26,643	5,923		5,923
Housing assistance payments	16,209,677		16,209,677	14,450,564		14,450,564
Depreciation expense	<u>2,571,751</u>	<u>167,744</u>	<u>2,739,495</u>	<u>2,383,327</u>	<u>165,875</u>	<u>2,549,202</u>
Total operating expenses	<u>27,123,273</u>	<u>937,565</u>	<u>28,060,838</u>	<u>24,788,493</u>	<u>940,191</u>	<u>25,728,684</u>
Operating income	59,325	397,216	456,541	1,910,573	366,618	2,277,191
Nonoperating revenues(expenses)						
Extraordinary Item				(1,366,416)		(1,366,416)
Investment income - unrestricted	81,871	34,005	115,876	174,242	68,963	243,205
Investment income - temporarily restricted	1,559	6,367	7,926	3,270	9,772	13,042
Interest expense		(293,292)	(293,292)		(301,838)	(301,838)
Total nonoperating revenue(expense)	<u>83,430</u>	<u>(252,920)</u>	<u>(169,490)</u>	<u>(1,188,904)</u>	<u>(223,103)</u>	<u>(1,412,007)</u>
Change in net assets	142,755	144,296	287,051	721,669	143,515	865,184
Total net assets-beginning	<u>37,475,811</u>	<u>1,849,259</u>	<u>39,325,070</u>	<u>36,754,142</u>	<u>1,705,744</u>	<u>38,459,886</u>
Total net assets-ending	<u>\$37,618,566</u>	<u>\$1,993,555</u>	<u>\$39,612,121</u>	<u>\$37,475,811</u>	<u>\$1,849,259</u>	<u>\$39,325,070</u>

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Cash Flows

Years Ended June 30,

	2004			2003		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
CASH FLOWS FROM OPERATING ACTIVITIES						
Tenant revenue received	\$1,857,895	\$465,335	\$2,323,230	\$1,926,306	\$475,813	\$2,402,119
Other revenue received	181,765	7,643	189,408	427,613	1,352	428,965
General and administrative expenses paid	(26,314,898)	(700,201)	(27,015,099)	(21,970,961)	(790,867)	(22,761,828)
Net cash provided (used) by operating activities	(24,275,238)	(227,223)	(24,502,461)	(19,617,042)	(313,702)	(19,930,744)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES						
Government operating grants received	22,786,484	858,462	23,644,946	21,141,973	834,326	21,976,299
Increase/decrease in due to/due from related entity	(6,675)	6,674	(1)	141,109	(141,107)	2
Net cash provided (used) by financing activities	22,779,809	865,136	23,644,945	21,283,082	693,219	21,976,301
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Government capital grants received	2,893,255	6,408	2,899,664	2,998,722	1,264	2,997,986
Purchases of land, structures and equipment	(2,797,660)	(571,175)	(3,368,835)	(3,587,970)	(2,568)	(3,590,538)
Payments to retire long term debt		(155,000)	(155,000)		(145,000)	(145,000)
Interest paid		(297,271)	(297,271)		(305,599)	(305,599)
Disposal of land, structures and equipment	2,508	100	2,608	521		521
Net cash provided (used) by capital and related financing activities	98,104	(1,016,938)	(918,834)	(590,727)	(451,903)	(1,042,630)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(15,181,534)	(8,130,166)	(23,311,700)		(1,480,440)	(1,480,440)
Proceeds from sale of investments	9,921,531	6,100,658	16,022,189		1,457,330	1,457,330
Interest received	66,946	33,904	100,850	177,512	78,735	256,247
Net cash provided (used) by investing activities	(5,193,057)	(1,995,604)	(7,188,661)	177,512	55,625	233,137
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,590,382)	(2,374,629)	(8,965,011)	1,252,825	(16,761)	1,236,064
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,669,193	2,649,197	10,318,390	6,416,368	2,665,958	9,082,326
CASH AND CASH EQUIVALENTS - END OF YEAR	\$1,078,811	\$274,568	\$1,353,379	\$7,669,193	\$2,649,197	\$10,318,390
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Change in net assets	\$142,755	\$144,296	\$287,051	\$721,669	\$143,515	\$865,184
Adjustments to change in net assets						
HUD PHA operating grants	(22,614,760)	(857,229)	(23,471,989)	(20,896,630)	(824,822)	(21,721,452)
Capital Grants	(2,507,108)	(6,408)	(2,513,516)	(3,492,131)	(1,264)	(3,493,395)
Interest income/expense	(83,430)	252,923	169,493	(177,512)	223,103	45,591
Add back non-cash items:						
Depreciation expense	2,571,751	167,744	2,739,495	2,383,327	165,879	2,549,206
Decrease (Increase) in Operating Assets						
Accounts Receivable	(21,936)	(588)	(22,524)	41,923	(3,792)	38,131
Prepaid Expenses	(27,440)	(18,578)	(46,018)	(2,837)	(2,911)	(5,748)
Inventory	(2,875)		(2,875)	13,601		13,601
	(52,251)	(19,166)	(71,417)	52,687	(6,703)	45,984
Increase (Decrease) in operating Liabilities						
Accounts Payable	(1,710,105)	77,040	(1,633,065)	1,607,686	(13,561)	1,594,125
Accrued Liabilities	(9,324)	13,381	4,057	189,377	2,501	191,878
Other Liabilities	(12,766)	196	(12,570)	(5,515)	(2,350)	(7,865)
	(1,732,195)	90,617	(1,641,578)	1,791,548	(13,410)	1,778,138
Net Cash Used by Operating Activities	(\$24,275,238)	(\$227,223)	(\$24,502,461)	(\$19,617,042)	(\$313,702)	(\$19,930,744)

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE A - DESCRIPTION OF THE ENTITY

The Lorain Metropolitan Housing Authority ("LMHA") is a political subdivision organized under laws of the State of Ohio. LMHA is responsible for operating certain low - rent housing programs in Lorain County under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

Reporting Entity

The accompanying general purpose financial statements comply with the provisions of GASB Statement 14 ("Statement"), "The Financial Reporting Entity", in that financial statements include all organizations, activities and functions for which LMHA is financially accountable. Under this Statement, the financial reporting entity is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. Under the definition of GASB Statement Number 14, the Lorain County Elderly Housing Corporation (LCEHC) a 501(c)(3) not for profit entity is a component unit of LMHA.

Lorain Metropolitan Housing Authority

LMHA was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. In accordance with an Annual Contributions Contract (C-5010) between LMHA and HUD, LMHA has agreed to develop and operate low-rent owned housing units, while HUD has agreed to provide financial assistance (a) to develop such low-rent housing, (b) maintain "the low-rent character of such housing".

In addition, LMHA participates in the Section 8 - Housing Assistance Payments Program (C-10009). Under the Section 8 housing program, LMHA provides assistance to low and moderate income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under these programs, LMHA enters into housing assistance payments ("HAP") contracts with eligible landlords. Under a HAP contract, landlords are provided with subsidies for the difference between the contract rent and the amount payable by the Section 8 tenants.

LMHA owns and operates an eight-unit apartment complex ("Complex") with an attached car wash. LMHA does not receive federal financial assistance to operate this Complex. Revenue received from the Complex is recorded in business activities in the supplemental schedules. Management fees earned by LMHA are also recorded in business activities.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE A - DESCRIPTION OF THE ENTITY (CONTINUED)

Component Unit

The Lorain County Elderly Housing Corporation (LCEHC), a 501(c)(3) not for profit entity, is a component unit of the Lorain Metropolitan Housing Authority and is organized for the purpose of providing a comprehensive and coordinated system of services for the elderly in the Lorain County area of northeastern Ohio.

All three Board members of the LCEHC are also members of the Board of Commissioners of LMHA. LCEHC is a component unit of LMHA and the financial results and financial activity of the LCEHC are included as part of the financial statements of LMHA. A separate financial statement is issued for LCEHC.

LMHA acts as managing agent for the LCEHC and performs all financial and operating functions for the LCEHC except for those administrative duties performed by the Trustee. The LCEHC pays LMHA a managing fee for the services rendered.

Joint Venture

LMHA is a member of Housing Authority Property Insurance, Inc. ("HAPI"). HAPI is a nonprofit, tax-exempt mutual insurance company that is wholly owned by public housing authority members. HAPI is a captive insurance company formed pursuant to the Vermont Captive Insurance Companies Act. It provides property insurance to public housing authorities and public housing and redevelopment authorities throughout the United States. Due to the lack of significant oversight responsibility accountability of the LMHA's Board of Commissioners for actions, operations, and fiscal matters of HAPI, the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within LMHA's reporting entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

LMHA has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Under the GAAP basis of accounting, revenues and expenses are recognized in the period earned or incurred. All transactions of LMHA are accounted for in an enterprise fund. This presentation is used to reflect 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 purpose.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective June 30, 2003, LMHA implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, an amendment of GASB Statements No. 21 and No. 34, and Statement No. 38, *Certain Financial Statement Disclosures*. These statements revised accounting and reporting standards for financial reporting by governmental units. LMHA follows the business-type activities reporting requirements of GASB Statement No. 34. The implementation of these GASB statements did not have a material effect to the beginning nets of LMHA.

In accordance with Statement Number 20 of the Government Accounting Standards Board (GASB No. 20) "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting," LMHA has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. LMHA will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

The significant accounting policies under which the financial statements have been prepared are as follows:

Cash and Cash Equivalents

Highly liquid investments are considered to be cash and cash equivalents.

Allowance for Doubtful Accounts - Bad Debt Expenses

With the Board of Commissioners approval, LMHA and its component unit LCEHC write-off unpaid tenants' accounts receivable balances for which there has been no payment activity for 60 days and for which an outstanding balance remains.

At June 30, 2004 and 2003, the allowance for doubtful accounts was \$8,060 and \$8,402 for LMHA, respectively and \$36 and \$380 for LCEHC, respectively.

Fraud Recovery Receivable

Fraud recovery receivable represents the full amount of the accounts receivable from tenants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent. As collection of these accounts receivables are questionable, the revenues associated with these accounts receivables have been deferred. Revenue will be recognized when collection is assured.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments for both LMHA and LCEHC consist of certificates of deposits, U. S. Treasury Bills, and other federal government financial instruments. Investments are reported at fair market value.

Investments - Restricted

Restricted investments for LMHA represent amounts received from tenants for either security deposits or the family self sufficiency (FSS) program which are deposited into escrow accounts.

Restricted investments for LCEHC represent tenant security deposits and amounts held by the trustee for the retirement of LCEHC debt and for other escrow accounts. Tenant security and FSS deposits are restricted by HUD regulations and can only be used to refund deposits, unless forfeited.

Trustee restricted investments can only be released to LCEHC with trustee approval.

Inventory

Inventory is valued using an average costing method. Expense is recorded based upon consumption.

At June 30, 2004 and 2003, the allowance for obsolete inventory was \$7,326 and \$6,232, respectively.

Land, Property and Equipment

Land, property and equipment are recorded at cost. Property and equipment are depreciated over the estimated useful lives of the assets. Depreciation is computed using the straight line method. Useful lives of assets are:

Buildings	40 Years
Computer equipment	3 Years
Vehicles	5 Years
Office equipment	5 Years
Other equipment	5 - 10 Years
Leasehold improvements	15 Years

Only items with a unit cost of \$1,000 or more and a useful life greater than one year are capitalized and depreciated.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

LMHA and its component unit LCEHC account for compensated absences in accordance with GASB Statement Number 16.

Vacation leave earned at the end of the fiscal year (June 30), is accrued based on the employee hourly rate multiplied by the employee vacation hour balance. Vacation leave can not be carried forward from the end of the calendar year to the beginning of the next calendar year, unless specifically approved by the Board of Commissioners. Employees are not eligible to receive monetary compensation for vacation leave in lieu of time off. LMHA and LCEHC record a liability for all vacation leave earned.

Sick leave balances are subject to payment to nonunion employee after ten (10) years of service at LMHA. Sick leave balances are subject to payment to union employees after ten (10) years of service and a minimum age of sixty-five (65) or fifteen (15) years of service and a minimum age of sixty (60) or 20 years of service and a minimum age of fifty-five (55) or twenty-five (25) years of service and a minimum age of fifty (50). Employee sick leave payments are equal to 50% of the employee's available sick time hour, up to a maximum to 960 hours. LMHA and LCEHC record a liability for unused sick leave to the extent that it is probable that payment will be made.

Interprogram Due To and Due From Other Entities

Payables and receivables between LMHA and LCEHC, which occur due to the disbursements of expenses utilizing centralized checking accounts, are shown as either an Interprogram Due from other Entities (asset) or an Interprogram Due to other Entities (liability). These balances are current and paid within the year. Interprogram eliminations were made when combining balance sheets from the Financial Data Schedule to the Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses at and during the reported period. Actual results could differ from those estimates.

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 is adopted by the Board of the Housing Authority.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE C - DEPOSITS AND INVESTMENTS

Legal Requirements

GASB Statement Number 40, *Deposit and Investment Risk Disclosures* and amendment of GASB Statement Number 3, will be effective for the year ending June 30, 2005 for LMHA.

The deposit and investment of LMHA's and its component unit LCEHC monies are governed by the provisions of the Ohio Revised Code (ORC) and HUD regulations. Only banks or associations as defined in the ORC are eligible to hold public deposits. According to State of Ohio regulations, LMHA and LCEHC are permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, state and local government investment pools, direct obligations of the Federal Government, obligations of Federal Government Agencies and Securities Federal Government Agencies. These investments must mature within three years of their purchase. LMHA and LCEHC may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

Under Ohio law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities established by the financial institution to secure the repayment of all public monies deposited with the institution. 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 LMHA's and LCEHC's name.

Under Ohio law LMHA and LCEHC are prohibited from investing in any financial instrument, contract, or obligation 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"). LMHA and LCEHC are also prohibited from investing in reverse purchase agreements under State of Ohio law.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes LMHA and LCEHC 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

To demonstrate its custodial credit risk with deposits and investments and compliance with the Ohio Revised Code and HUD regulations, LMHA and its component unit LCEHC follow Governmental Accounting Standards Board Statement No. 3 (GASB No. 3), which has established custodial credit risk categories for deposits and investments:

Deposits

- Category 1 Insured or collateralized with securities held by LMHA and LCEHC or by its agent in the name of LMHA or LCEHC.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in LMHA or LCEHC'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 LMHA or LCEHC's name).

Investments

- Category 1 Insured or registered, or securities held by the LMHA and LCEHC or its agent in LMHA or LCEHC's name.
- Category 2 Uninsured or unregistered, with securities held by the LMHA and LCEHC or its agent in LMHA or LCEHC's name.
- Category 3 Uninsured or unregistered, with securities held by the counterparty's or by its trust department or agent but not in LMHA or LCEHC's name.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

The combined carrying amount of both LMHA's and its component unit LCEHC's deposits, including restricted family self-sufficiency accounts and tenant security deposits, was \$1,353,379 and \$10,318,390 at June 30, 2004 and 2003, respectively, and the bank balance was \$1,442,477 and \$10,464,976 at June 30, 2004 and 2003, respectively. The difference represents outstanding checks and other in transit transactions of the bank balance.

- (1) \$100,000 was covered by federal depository insurance at June 30, 2004 and 2003.
- (2) \$1,342,477 and \$10,364,976 was covered by pledged securities held in joint custody at June 30, 2004 and 2003 respectively.
- (3) Accounts in the name of LMHA and LCEHC and the pledging financial institution held by the Federal Reserve Bank of Cleveland, Ohio.

Investments

Investments - LMHA's and LCEHC's investments are identified by risk category as follows:

LMHA				
Risk Category				
June 30, 2004				
<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Lorain National Bank CD's	\$5,260,000			\$5,260,000
Total LCEHC	<u>\$5,260,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$5,260,000</u>

No investments were held by LMHA at June 30, 2003.

LCEHC				
Risk Category				
June 30, 2004				
<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Lorain National Bank CD's	\$2,015,000			\$2,015,000
JP Morgan trust funds		874,513		874,513
Total LCEHC	<u>\$2,015,000</u>	<u>\$ 874,513</u>	<u>\$ 0</u>	<u>\$ 2,889,513</u>

June 30, 2003				
<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Bank One trust funds		\$ 860,005		\$ 860,005
Total LCEHC	<u>\$ 0</u>	<u>\$ 860,005</u>	<u>\$ 0</u>	<u>\$ 860,005</u>

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

A reconciliation of cash and investments as shown on combining balance sheet follows:

	June 30, 2004		
	LMHA	LCEHC	Total
Unrestricted cash and cash equivalents	\$848,473	\$235,360	\$1,083,833
Unrestricted investments	5,260,000	2,015,000	7,275,000
Restricted cash and investment-tenant security deposits and FSS deposits	230,338	39,208	269,546
Restricted Investments – Trustee and endowment fund		874,513	874,513
Total	<u>\$6,338,811</u>	<u>\$3,164,081</u>	<u>\$9,502,892</u>
Carrying amounts of deposits	\$1,078,811	\$274,568	\$1,353,379
Carrying amounts of investments	<u>5,260,000</u>	<u>2,889,513</u>	<u>8,149,513</u>
Total	<u>\$6,338,811</u>	<u>\$3,164,081</u>	<u>\$9,502,892</u>
	June 30, 2003		
	LMHA	LCEHC	Total
Unrestricted cash and cash equivalents	\$7,404,901	\$2,612,408	\$10,017,309
Unrestricted investments			
Restricted cash and investment-tenant security deposits and FSS deposits	264,292	36,789	301,081
Restricted Investments – Trustee and endowment fund		860,005	860,005
Total	<u>\$7,669,193</u>	<u>\$3,509,202</u>	<u>\$11,178,395</u>
Carrying amounts of deposits	\$7,669,193	\$2,649,197	\$10,318,390
Carrying amounts of investments		860,005	860,005
Total	<u>\$7,669,193</u>	<u>\$3,509,202</u>	<u>\$11,178,395</u>

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE D - RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES

LMHA and its component unit LCEHC had the following restricted cash and investments and related reserves:

Lorain Metropolitan Housing Authority

	June 30,	
	2004	2003
Business Activities		
Other non-HUD tenant security deposits	\$3,425	\$2,225
Low Rent Public Housing		
Tenant security deposits	135,530	135,864
Family self-sufficiency escrow deposits	13,294	20,626
Section 8 Program		
Family self-sufficiency escrow deposits	78,089	105,577
Total Lorain Metropolitan Housing Authority	\$230,338	\$264,292

Lorain County Elderly Housing Corporation

	June 30,	June 30,
	2004	2003
Tenant Security Deposits	\$39,208	\$36,789
Trustee reserves as follows:		
Current revenue fund	1,060	
Cumulative reserve fund	69,531	81,139
Replacement reserve fund	204,468	180,703
Tax and insurance fund	12,191	18,062
Management account	390	
Reserve account	6,409	6,131
Interest account	147,131	151,470
Principal account	165,000	154,167
Debt service fund	268,333	268,333
Total Lorain County Elderly Housing Corporation	\$913,721	\$896,794

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE E - FIXED ASSETS

The following is a summary of fixed assets:

Lorain Metropolitan Housing Authority

	July 1, 2003	Additions	Deletions	June 30, 2004
Land	\$ 4,636,058			\$ 4,636,058
Buildings	54,392,715	\$ 2,275,267	\$(14,951)	56,653,031
Office Equipment	569,203	102,578	(16,239)	655,542
Maintenance Equipment	259,607	12,903	(9,078)	263,432
Vehicles	623,692	17,167	(32,516)	608,343
Construction in progress	559,486	389,748		949,234
Total	61,040,761	2,797,663	(72,784)	63,765,640
Less: Accumulated depreciation	(29,545,027)	(2,571,754)	70,278	(32,046,505)
Total	<u>\$31,495,734</u>			<u>\$31,719,135</u>

Lorain County Elderly Housing Corporation

	July 1, 2003	Additions	Deletions	June 30, 2004
Land	\$ 377,930			\$ 377,930
Buildings	6,322,911	\$ 8,796		6,331,707
Office equipment	24,979	1,333	\$(1,140)	25,171
Maintenance equipment	21,839		(1,259)	20,580
Construction in progress		561,050		561,050
Total	6,747,659	571,179	(2,399)	7,316,439
Less: Accumulated depreciation	(3,421,112)	(167,748)	2,299	(3,586,561)
Total	<u>\$3,326,547</u>			<u>\$3,729,878</u>

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE F - DEBT & LEASE OBLIGATIONS

Lorain County Elderly Housing Corporation Bonds

On March 1, 1993 bonds totaling \$5,875,000 were issued. The bonds issued are fully registered obligations having a minimum denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. The bonds mature on July 15, 2019. Interest is payable semiannually on January 15th and July 15th.

The bonds are secured as to payment by all Project (two buildings owned by LCEHC) revenues from the operation of the Projects and an open-end Mortgage Deed and Security Agreement, dated March 1, 1995, on each Project. All units in the Projects are entitled to payments from HUD pursuant to Housing Assistance Payment Contract Number C-77-086, having an effective date of September 1, 1979 and Housing Assistance Payment (HAP) Contract Number C-76-908, having an effective date of September 1, 1979. All of the rights under the HAP contracts have been assigned to the Trustee, JP Morgan Institutional Trust Services.

The future principal payment requirements and related interest rate are shown below:

<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>	<u>Interest Rate(%)</u>	<u>Yield(%)</u>
2004	165,000	292,931	457,931	6.375%	6.454%
2005	175,000	282,413	457,413	6.375%	6.454%
2006	185,000	271,256	456,256	6.375%	6.454%
2007	195,000	259,463	454,463	6.375%	6.454%
2008	210,000	247,031	457,031	6.375%	6.454%
2009-2013	1,275,000	1,015,219	2,290,219	6.375%	6.454%
2014-2018	1,740,000	55,436	1,795,436	6.375%	6.454%
2019	650,000	41,438	691,438	6.375%	6.454%
Total	<u>\$4,595,000</u>	<u>\$2,465,187</u>	<u>\$7,060,187</u>		

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE F - DEBT & LEASE OBLIGATIONS (CONTINUED)

A reconciliation of long term liabilities are shown below:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Balance at July 1, 2003	\$	\$ 4,750,000	\$4,750,000
Increase in long term liabilities			
Decrease in long term liabilities		<u>155,000</u>	<u>155,000</u>
Balance at June 30, 2003	<u>\$ 0</u>	<u>\$4,595,000</u>	<u>\$4,595,000</u>
Increase in long term liabilities			
Decrease in long term liabilities		<u>165,000</u>	<u>165,000</u>
Balance at June 30, 2004	<u>\$ 0</u>	<u>\$ 4,430,000</u>	<u>\$4,430,000</u>

Short Term Debt

The Authority has not engaged in short-term borrowing as characterized by GASB Statement Number 38 and therefore has no short-term debt obligations for the years ended June 30, 2004 and 2003, respectively.

Lease Obligations

The Authority leases office equipment under various operating leases. Total expense recognized under these operating leases was \$14,409 and \$20,140 for the years ended June 30, 2004 and 2003, respectively.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Office Equipment</u>
2004	\$14,409
2005	10,758
2006	6,137
2007	0
2008	0
	<u>\$31,304</u>

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE G - DEFINED BENEFIT PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT SYSTEM

Employees and Plan

Employees of LMHA belong to the Ohio Public Employees Retirement System ("OPERS"), a state-wide and state administered defined benefit, cost sharing multi-governmental employer pension plan, as required by the Ohio Revised Code. Allocated payroll expenses are made to LCEHC along with its pro-rata share of OPERS costs.

OPERS

OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information.

Interested parties may obtain a copy by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The employer contribution rate for local government employer units was 13.55 percent of covered payroll; 5.0 percent was the portion used to fund health care in 2004 and 2003, and 4.3 percent in 2002. The LMHA's total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for years ended June 30, 2004, 2003, and 2002 were \$410,755, \$394,287, and \$389,125, respectively, equal to the required contributions for each year. LCEHC's allocated total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended June 30, 2004, 2003, and 2002 were \$29,761, \$30,197, and \$30,876, respectively, equal to the required contributions for each year.

NOTE H - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

OPERS provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE H - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to OPERS. The portion of employer contributions rate used to fund health care for 2004 was 5.0 percent, for 2003 5.0 percent of covered payroll.

LMHA's contributions for other postemployment benefits to OPERS for the fiscal year ended 2004, 2003, and 2002 were \$151,570, \$145,494, and \$123,486, respectively. LCEHC's contributions for other postemployment benefits to OPERS for the fiscal year ended 2004, 2003, and 2002 were \$10,969, \$11,143, and \$9,798, respectively.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS's latest actuarial review performed as of December 31, 2002. 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 2002 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 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE I - RISK MANAGEMENT

LMHA and its component unit LCEHC are exposed to various risks of loss related to torts and other legal actions; theft of, damage to, and destruction of assets; error and omissions, injuries to employees and tenants and natural disasters. LMHA has contracted with the Housing Authority Property Insurance, Inc. (HAPI) for property liability insurance and outside vendors for employee and Board of Commissioner's fidelity insurance, auto and vehicle insurance and office equipment insurance. Settlement claims have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the previous fiscal year.

NOTE J - NON-RECURRING ITEMS

Proceeds from Insurance

During the year ended June 30, 2004, LMHA received insurance proceeds as a result of property damage. The Company recognized a net gain of \$70,504 from the insurance proceeds as a gain on fixed assets.

Proceeds from Settlement

During the year ended June 30, 2003, LMHA received a lawsuit settlement of \$243,091 as a result of property damage.

NOTE K - EXTRAORDINARY ITEMS

Recapture of Housing Choice Voucher accumulated administrative fee reserve

During the year ended June 30, 2003, the FY03 Omnibus Appropriations bill required the recapture of any accumulated administrative fee reserve in excess of 105% of the FY02 administrative fee earned as of January 31, 2003. This will result in the reduction of any future administrative fees until the \$1,366,416 excess has been recaptured. Future recapture calculations have not been strictly spelled out, but a preliminary estimate is \$260,000.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2004 and 2003

NOTE L - CONCENTRATIONS

The Authority receives the majority of its revenue from the U. S. Department of Housing and Urban Development and is subject to changes in Congressional acts or mandated changes by HUD.

NOTE M - COMMITMENTS AND CONTINGENCIES

Grants

The Authority received financial assistance from a federal agency in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at June 30, 2004 and 2003, respectively.

Contingencies

The authority is party to various legal proceedings. In the opinion of Lorain Metropolitan Housing Authority, the ultimate disposition of these proceedings will not have a material effect on Lorain Metropolitan Housing Authority's financial position. No provision has been made to the financial statements for the effect, if any, of such contingencies.

LORAIN METROPOLITAN HOUSING CORPORATION

Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development(Direct Program) <i>Low Income Housing Assistance Programs</i>		
Section 8 Housing Choice Voucher	14.871	\$17,440,884
Public Housing - Operating Subsidy	14.850A	3,719,741
Public Housing Capital Fund Program	14.872	3,462,358
Public and Indian Housing Drug Elimination Grant	14.854	5,122
Shelter Plus Care	14.238	194,828
Section 8 New Construction and Substantial Rehabilitation Program - Concord Manor (Passed through to sub recipient)	14.182	202,042
Resident Opportunity and Supportive Services Grant	14.870	<u>96,892</u>
Total Federal Financial Assistance (All U.S. Dept. of HUD)		<u><u>\$25,121,867</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Note A: The accompanying Schedule of Expenditures of Federal Awards is a summary of the federal grant activity of the Lorain Metropolitan Housing Authority. This schedule has been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

Note B: Federal Expenditures for the component unit - Lorain County Elderly Housing Corporation (LCEHC) federal expenditures/disbursements were reported separately in LCEHC's OMB Circular A-133 Single Audit Report. A summary of the amounts reported is presented below:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Section 8 Housing	14.871	\$831,113
New Approach Anti Drug	14.312	<u>32,524</u>
Total Federal Expenditures		<u><u>\$863,637</u></u>

**Lorain Metropolitan Housing Authority
Financial Data Schedule - Balance Sheet**

As of June 30, 2004

Line Item #	Account Description	Business Activities	Low Rent 14.85(a)	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.859	14.852	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Total - Lorain County Elderly Housing	TOTAL
ASSETS:													
CURRENT ASSETS:													
Cash:													
111	Cash - unrestricted	254,998	252,018		341,457							235,360	1,083,833
112	Cash - restricted - modernization and development		13,294		78,089							-	91,383
113	Cash - other restricted											-	-
114	Cash - tenant security deposits	3,425	135,530									39,208	178,163
115	Cash - restricted for payment of current liability											-	-
100	Total cash	258,423	400,842	-	419,546	-	-	-	-	-	-	274,568	1,353,379
Accounts and notes receivables:													
121	Accounts receivable - PHA projects												
122	Accounts receivable - HUD other projects				48,254			277,973	4,267	1	3,946	-	334,441
124	Accounts receivable - other government												
125	Accounts receivable - miscellaneous		825		2,398							7,653	10,876
126	Accounts receivable - tenants - dwelling rents		64,093									2,339	66,432
126.1	Allowance for doubtful accounts - dwelling rents		(8,060)									(36)	(8,096)
126.2	Allowance for doubtful accounts - other											-	-
127	Notes, loans & mortgages receivable - current				79,442							-	79,442
128	Fraud recovery											-	-
128.1	Allowance for doubtful accounts - fraud											-	-
129	Accrued interest receivable	2,114	9,423		4,947							6,468	22,952
120	Total receivables, net of allowances for doubtful accounts	2,114	66,281	-	135,041	-	-	277,973	4,267	1	3,946	16,424	306,047
Current investments													
131	Investments - unrestricted	540,000	3,100,000		1,620,000							2,015,000	7,275,000
132	Investments - restricted											874,513	874,513
135	Investments - restricted for payment of current liability											-	-
142	Prepaid expenses and other assets	406	85,836		13,213							23,278	122,733
143	Inventories		242,757									-	242,757
143.1	Allowance for obsolete inventories		(7,326)									-	(7,326)
144	Interprogram - due from	77,045	172,188	33,211			7		2			-	282,453
145	Assets held for sale											-	-
146	Amounts to be provided											-	-
150	TOTAL CURRENT ASSETS	877,988	4,060,578	33,211	2,187,800	-	-	277,980	4,269	1	3,946	3,203,783	10,649,556

Lorain Metropolitan Housing Authority
Financial Data Schedule - Balance Sheet

As of June 30, 2004

Account Description	Business Activities	Low Rent 14.85(b)	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	GIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Total - Lorain County Elderly Housing	TOTAL
NONCURRENT ASSETS:											
Fixed assets:											
161 Land	71,100	4,495,538		69,400						377,930	5,013,988
162 Buildings	200,645	51,330,347		848,002		4,274,038				6,331,708	62,984,740
163 Furniture, equipment & machinery - dwellings		814,758								20,580	835,338
164 Furniture, equipment & machinery - administration		468,941		186,938		51,568	4,121	991		25,171	737,730
165 Leasehold improvements											
168 Infrastructure											
166 Accumulated depreciation	(30,518)	(31,400,212)		(318,530)		(295,274)	(1,145)	(826)		(3,586,561)	(35,633,066)
167 Construction in progress	10,672	175,563				762,998				561,050	1,510,283
160 Total fixed assets, net of accumulated depreciation	251,899	25,884,955		785,810		4,793,330	2,976	165		3,729,878	35,449,013
Other Non Current Assets											
171 Notes, loans & mortgages receivable - non current											
172 Notes, loans & mortgages receivable - non current -past due											
173 Grants Receivable - non current											
174 Other assets											
176 Investment in joint ventures											
180 TOTAL NONCURRENT ASSETS	251,899	25,884,955		785,810		4,793,330	2,976	165		3,729,878	35,449,013
190 TOTAL ASSETS	1,129,887	29,945,533	33,211	2,973,610		5,071,310	7,245	166	3,946	6,933,661	46,098,569
LIABILITIES AND EQUITY:											
LIABILITIES:											
Current Liabilities											
311 Bank overdraft											
312 Accounts payable < 90 days	1,804	183,523		3,803		45,473	4,267		964	94,543	334,377
313 Accounts payable > 90 days past due											
321 Accrued wage/payroll taxes payable	10,398	121,689		46,079		18,478				16,250	212,894
322 Accrued compensated absences - current portion		129,284		44,836		20,493				10,895	205,508
324 Accrued contingency liability											
325 Accrued interest payable											
331 Accounts payable - HUD PHA programs			14,954								
332 Accounts Payable - PHA Projects											
333 Accounts payable - other government		31,960								22,090	54,050
341 Tenant security deposits	3,425	135,530								39,208	178,163
342 Deferred revenues											
343 Current portion of Long-Term debt - capital projects/mortgage revenue bond:											
344 Current portion of Long-Term debt - operating borrowings											
345 Other current liabilities	50									100	150
346 Accrued liabilities - other	860	25,642								7,538	203,497
347 Inter-program - due to	179,752		18,257	66,062					2,982	15,398	282,452
348 Loan Liability - current											
310 TOTAL CURRENT LIABILITIES	196,289	627,628	33,211	160,780		253,901	4,268		3,946	505,282	1,785,305

**Lorain Metropolitan Housing Authority
Financial Data Schedule - Balance Sheet**

As of June 30, 2004

Account Description	Business Activities	Low Rent 14.831a	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Total - Lorain County Elderly Housing	TOTAL
Non Current Liabilities											
351 Long-term debt, net of current- capital projects/ mortgage revenue bonds										4,430,000	4,430,000
352 Long-term debt, net of current- operating borrowings										-	-
353 Noncurrent liabilities- other		13,754		159,335						-	173,089
354 Accrued Compensated Absences - non current		48,702		20,456		24,073				4,824	98,055
355 Loan Liability - non current										-	-
350 TOTAL NONCURRENT LIABILITIES		62,456	-	179,791	-	24,073	-	-	-	4,434,824	4,701,144
300 TOTAL LIABILITIES	196,289	690,084	33,211	340,571	-	277,974	4,268	-	3,946	4,940,106	6,486,449
EQUITY:											
501 Investment in general fixed assets											
Contributed Capital:											
508.1 Invested in Capital Assets, Net of Related Debt	251,899	25,884,956	-	785,810	-	4,793,330	2,976	165	-	300,335	32,019,471
511.1 Restricted Net Assets		13,294	-	78,089	-	-	-	-	-	874,513	965,896
512.1 Unrestricted Net Assets	681,699	3,357,199	-	1,769,140	-	6	1	1	-	818,707	6,626,753
513 TOTAL EQUITY/NET ASSETS	933,598	29,255,449	-	2,633,039	-	4,793,336	2,977	166	-	1,993,555	39,612,120
600 TOTAL LIABILITIES and EQUITY/NET ASSETS	1,129,887	29,945,533	33,211	2,973,610	-	5,071,310	7,245	166	3,946	6,933,661	46,098,569

**Lorain Metropolitan Housing Authority
Financial Data Schedule - Revenue & Expenses
For 12 months ending 6/30/2004**

Account Description	Business Activities	Low Rent 14,850a	Section 8 N/C S/R Program 14,182	Housing Choice Voucher 14,871	CIAP & CGP 14,852	CFP 14,872	Ross Grant 14,870	PIH Drug Elimination Program 14,854	Shelter Plus Care 14,238	Total - Lorain County Elderly Housing	TOTAL
REVENUE:											
703 Net tenant rental revenue	43,375	1,654,364	-	-	-	-	-	-	-	459,774	2,157,513
704 Tenant revenue - other	50	153,092	-	-	-	-	-	-	-	4,490	157,632
705 Total tenant revenue	43,425	1,807,456	-	-	-	-	-	-	-	464,264	2,315,145
706 HUD PHA operating grants			202,042	17,440,885		959,371	92,771	5,122	194,828	857,229	23,471,989
706.1 Capital Grants											
708 Other government grants						2,502,987	4,121	-	-	6,408	2,513,516
711 Investment income - unrestricted	8,942	44,142	-	28,787	-	-	-	-	-	-	115,876
712 Mortgage interest income											
713 Proceeds from disposition of assets held for sale											
713.1 Cost of sale of assets											
714 Fraud recovery											
715 Other revenue	32,373	62,851	-	35,071	-	-	-	-	-	-	35,071
716 Gain or loss on the sale of fixed assets											
720 Investment income - restricted											
700 TOTAL REVENUE	84,740	5,705,707	202,042	17,514,339	-	3,462,358	96,892	5,122	194,828	1,375,153	28,641,181
EXPENSES:											
Administrative											
911 Administrative salaries		966,503		764,712		218,528				166,036	2,115,779
912 Auditing fees		15,667		9,582						5,451	30,700
913 Outside management fees			18,563						21,131	23,947	63,641
914 Compensated absences		(18,686)		6,009		25,628		(1,225)		(1,853)	9,873
915 Employee benefit contributions- administrative		356,914		353,600		80,223				42,467	833,204
916 Other operating- administrative	11,295	248,727		120,069		1,800				23,876	405,767
Subtotal	11,295	1,569,125	18,563	1,253,972		326,179		(1,225)	21,131	259,924	3,458,964
Tenant services											
921 Tenant services - salaries		15,639									31,518
922 Relocation costs											
923 Employee benefit contributions- tenant services		9,495				9,355					18,850
924 Tenant services - other		46,748								2,582	143,554
Subtotal		71,882				25,234				2,582	193,922

Lorain Metropolitan Housing Authority
Financial Data Schedule - Revenue & Expenses
For 12 months ending 6/30/2004

Account Description	Business Activities	Low Rent 14.850a	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Total - Lorain County Elderly Housing	TOTAL
Utilities											
931 Water	951	232,174	-	184	-	-	-	-	-	17,932	251,241
932 Electricity	5,482	364,666	-	7,869	-	-	-	-	-	176,779	554,796
933 Gas	7,145	300,618	-	4,206	-	-	-	-	-	1,306	313,275
934 Fuel											
935 Labor											
937 Employee benefit contributions- utilities	985	314,638	-	143	-	-	-	-	-	34,491	350,257
938 Other utilities expense	14,563	1,212,096	-	12,402	-	-	-	-	-	230,508	1,469,569
Subtotal											
Ordinary maintenance & operation											
941 Ordinary maintenance and operations - labor	4,109	1,000,993	-							55,606	1,060,708
942 Ordinary maintenance and operations - materials & other	4,467	313,377	-	29,114		101,508				28,262	476,728
943 Ordinary maintenance and operations - contract costs	2,975	679,345	-	76,336		2,354				93,704	854,714
945 Employee benefit contributions- ordinary maintenance	1,708	464,234	-							25,087	491,029
Subtotal	13,259	2,457,949	-	105,450		103,862				202,659	2,883,179
Protective services											
951 Protective services - labor						38,975		4,848			43,823
952 Protective services- other contract costs						374,511		42		25,865	400,418
953 Protective services - other											
955 Employee benefit contributions- protective services						16,236					16,236
Subtotal						429,722		4,890		25,865	460,477
General expenses											
961 Insurance premiums	918	244,302	-	21,226						21,045	287,491
962 Other General Expenses	(7)		-					5		3	1
963 Payments in lieu of taxes	291	32,120	-							22,090	54,501
964 Bad debt - tenant rents		100,810	-							5,145	105,955
965 Bad debt- mortgages											
966 Bad debt - other		1,787	-								1,787
967 Interest expense		8,656	-							293,292	293,292
968 Severance expense	1,202	387,675	-	21,226		5,205					13,861
Subtotal									5	341,575	756,888
TOTAL OPERATING EXPENSES	40,319	5,698,727	18,563	1,393,050	-	890,202	92,772	5,122	21,131	1,063,113	9,222,999

**Lorain Metropolitan Housing Authority
Financial Data Schedule - Revenue & Expenses
For 12 months ending 6/30/2004**

Account Description	Business Activities	Low Rent 14.850a	Section 8 N/C/S/R Program 14,182	Housing Choice Voucher 14,871	CIAP & CGP 14,852 14,859	CFP 14,872	Rss Grant 14,870	PIH Drug Elimination Program 14,854	Shelter Plus Care 14,238	Total - Lorain County Elderly Housing	TOTAL
970 EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	44,421	6,980	183,479	16,121,289	-	2,572,156	4,120	-	173,697	312,040	19,418,182
971 Extraordinary maintenance		86,151		-		69,165					155,316
972 Casualty losses - non-capitalized		26,643									26,643
973 Housing assistance payments			183,479	15,852,501					173,697		16,209,677
974 Depreciation expense	5,679	2,292,714		51,049		220,836	1,145	328		167,744	2,739,495
975 Fraud losses											
976 Capital outlays- governmental funds											
977 Debt principal payment- governmental funds											
978 Dwelling units rent expense											
900 TOTAL EXPENSES	45,998	8,104,235	202,042	17,296,600	-	1,180,203	93,917	5,450	194,828	1,230,857	28,354,130
OTHER FINANCING SOURCES (USES)											
1001 Operating transfers in		170,000									170,000
1002 Operating transfers out				(170,000)							(170,000)
1003 Operating transfers from/to primary government											
1004 Prior Period Adjustments, Equity/Net Assets											
1005 Proceeds from notes, loans and bonds											
1006 Proceeds from property sales											
1007 Extraordinary items (net gain/loss)											
1008 Special Items (net gain/loss)											
1010 TOTAL OTHER FINANCING SOURCES (USES)		170,000		(170,000)							
1000 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL	38,742	(2,228,528)		47,739		2,282,155	2,975	(328)		144,296	287,051

**Lorain Metropolitan Housing Authority
Financial Data Schedule - Revenue & Expenses
For 12 months ending 6/30/2004**

MEMO account information	Business Activities	Low Rent 14.850a	Section 8 N/C/S/R Program 14,182	Housing Choice Voucher 14,871	CIAP & CGP 14,852 14,859	CFP 14,872	Ross Grant 14,870	PIH Drug Elimination Program 14,854	Shelter Plus Care 14,238	Total - Lorain County Elderly Housing	TOTAL
1101 Capital contributions											
1102 Debt principal payments- enterprise funds											
1103 Beginning equity	894,856	27,381,448	-	2,585,300	1,946,598	4,665,779	2	1,827		155,000	155,000
1104 Prior period adjustments, equity transfers and correction of errors		4,102,529			(1,946,598)	(2,154,598)		(1,333)		1,849,259	39,325,069
1105 Changes in compensated absence liability balance (in the GLTDAG)											
1106 Changes in contingent liability balance (in the GLTDAG)											
1107 Changes in unrecognized pension transition liability (in the GLTDAG)											
1108 Changes in special term/severance benefits liability (in the GLTDAG)											
1109 Changes in allowance for doubtful accounts - dwelling rents											
1110 Changes in allowance for doubtful accounts - other											
1111 Depreciation "add back"											
1112 Prorata maximum annual contributions commitment (per ACC) period of less than twelve months			182,904	15,912,319							16,095,223
1113 Contingency reserve, ACC program reserve			102,246	1,029,019							1,131,265
1114 Total annual contributions available			285,150	16,941,338							17,226,488
1115 Unit months available	84	17,340	600	32,340					398	2,400	53,162
1116 Number of unit months leased	78	16,964	598	32,381					398	2,318	52,737

LORAIN METROPOLITAN HOUSING CORPORATION

Schedule of Completed Grants/Certificates Year Ended June 30, 2004

Description	Note A OH12DEP0120101	Note B OH16C94-0101 Shelter Plus Care	Note C OH12HAD040100 Safe Neighborhood
	<u>Drug Grant</u>		
Funds approved - latest budget	\$358,710	\$1,221,000	\$134,070
Funds advanced	358,710	1,221,000	134,070
Funds expended	<u>358,710</u>	<u>1,221,000</u>	<u>134,070</u>
Difference between funds advanced and funds expended	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Note A: This drug elimination grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2004 and the final report submitted to HUD which approved closing on April 16, 2004.

Note B: This shelter plus care grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2003 and the closeout certification was approved by HUD during fiscal year 2004.

Note C: This safe neighborhood grant was completed by the Lorain County Elderly Housing Corporation during fiscal year 2004 and the final report was submitted to HUD which approved closing on August 3, 2004. closing on September 3, 2002.

Note D: The distribution of costs shown on schedules submitted to HUD for approval are in agreement with the Authority's records and all grant costs and expenses and all related liabilities have been paid and liquidated through payment.

Drug grant (OH12DEP0120199) for \$324,192, drug grant (OH12DEP0120100) for 337,875, comp grant (OH12P01270899) for \$3,274,051, and capital fund grant (OH12P01250100) for \$3,060,975 were closed during fiscal year 2003.

LORAIN METROPOLITAN HOUSING CORPORATION

Schedule of Units Under LMHA Management Year Ended June 30, 2004

Lorain Metropolitan Housing Authority(LMHA) had 4,180 units under its management. LMHA's component unit Lorain County Elderly Housing Corporation (LCEHC) had 200 units under its management. See details below.

<u>Management</u>	<u>Units Available</u>	<u>Average Number Units Leased in Fiscal</u>
Lorain Metropolitan Housing Authority		
Low income public housing	1,445	1,414
Section 8 vouchers(Started with 2685))	2,695	2,698
Sheltered plus care	33	33
General fund - not HUD funded	<u>7</u>	<u>7</u>
Total	4,180	4,152
Lorain County Elderly Housing Corporation		
Section 8 new construction	<u>200</u>	<u>193</u>
Total LMHA and LCEHC	<u><u>4,380</u></u>	<u><u>4,345</u></u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 31, 2004

To the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have audited the accompanying general purpose financial statements of the Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit Lorain County Elderly Housing Corporation (LCEHC) as of June 30, 2004 for the year then ended and have issued our report thereon dated August 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the LMHA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LMHA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of LMHA in a separate letter dated August 31, 2004.



To the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

This report is intended for the information of the board of LMHA, management, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs Inc.

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

August 31, 2004

To the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have audited the Lorain Metropolitan Housing Authority's (LMHA) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget OMB-A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. LMHA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LMHA's management. Our responsibility is to express an opinion on the LMHA's compliance based on our audit.

The financial statements of LMHA include the discretely presented component unit - Lorain County Elderly Housing Corporation, which received \$863,637 in federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB-Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LMHA's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the LMHA's compliance with those requirements.

In our opinion, LMHA complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.



To the Members of the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

Internal Control Over Compliance

The management of LMHA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LMHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the board of LMHA, management, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs, Inc.

LORAIN METROPOLITAN HOUSING AUTHORITY

Schedule of Findings and Questioned Costs Year Ended June 30, 2004

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ Yes No

Reportable condition(s) identified?
that are not considered to be
material weaknesses? _____ Yes none reported

Noncompliance material to financial
statements noted? _____ Yes No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____ Yes No

Reportable condition(s) identified?
that are not considered to be
material weaknesses? _____ Yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Section 510(a) of Circular A-133? _____ Yes No

CFDA Number(s)	Name of Federal Program or Cluster
14.850	Public Housing
14.871	Housing Choice Vouchers
14.872	Public Housing Capital Fund Program

Dollar threshold used to distinguish between
type A and type B programs: \$ 753,656

Auditee qualified as low-risk auditee? Yes _____ No

Section II--Financial Statement Findings

None

Section III--Federal Award Findings and Questioned Costs

None

LORAIN METROPOLITAN HOUSING AUTHORITY

Status of Prior Year Findings Year Ended June 30, 2004

There were no significant or material findings or questioned costs included in the prior year reports.



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LORAIN METROPOLIAN HOUSING AUTHORITY

LORAIN 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
JANUARY 11, 2005**