

# **Lucas Metropolitan Housing Authority**

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**Financial Report  
with Supplemental Information  
December 31, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Commissioners  
Lucas Metropolitan Housing Authority  
435 Nebraska  
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Lucas Metropolitan Housing Authority, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2005 through December 31, 2006. 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 Lucas Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 9, 2007

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# Lucas Metropolitan Housing Authority

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Plante & Moran, PLLC  
Suite 500  
2601 Cambridge Court  
Auburn Hills, MI 48326  
Tel: 248.375.7100  
Fax: 248.375.7101  
plantemoran.com

## Independent Auditor's Report

To the Board of Commissioners  
Lucas Metropolitan Housing Authority

We have audited the accompanying basic financial statements of Lucas Metropolitan Housing Authority (the "Authority") as of December 31, 2006 and for the 18 months then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2006 and the results of its operations and its cash flows for the 18 months then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information, which includes the financial data schedules and the schedule of expenditures of federal awards (under separate cover), is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Lucas Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the Board of Commissioners  
Lucas Metropolitan Housing Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2007 on our consideration of Lucas Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting on compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

August 16, 2007

# **Lucas Metropolitan Housing Authority**

## **Management's Discussion and Analysis**

Lucas Metropolitan Housing Authority's (LMHA or the "Authority") management's discussion and analysis (MD&A) is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of LMHA's financial activities for the year, (c) identify changes in LMHA's financial position, and (d) identify individual fund or program issues or concerns.

LMHA offers this narrative overview of its financial activities for the 18-month period ended December 31, 2006.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read this discussion in conjunction with LMHA's accompanying financial statements and notes.

### **Mission**

Through its programs and partnerships, Lucas Metropolitan Housing Authority is committed to building better neighborhoods by providing comprehensive housing opportunities for qualified individuals and families through creative and professional services in partnership with the greater community.

### **Financial Highlights**

The biggest challenge LMHA faced in the financial arena this past period was changing its fiscal year end from a June 30 year end to a December 31 year end. This change was done in accordance with HUD recommendations, primarily to coincide with HUD's new funding cycle, but the change also benefits LMHA in many other ways as far as planning and budgeting.

The change in fiscal year involved an 18-month transition period which ran from July 1, 2005 through December 31, 2006. This audit covers that 18-month period, and was particularly challenging due to the inability of our financial software to handle and track an 18-month period. It required us to break this activity into two periods, a six-month "stub period" from July 1, 2005 through December 31, 2005 and a 12-month year from January 1, 2006 through December 31, 2006. As a one-time only 18-month period, many of the comparative analysis typically analyzed cannot be interpreted for the differences in the time periods and have, therefore, for this year only, been excluded from this discussion. However, overall comparisons have been made.

# Lucas Metropolitan Housing Authority

## Management's Discussion and Analysis (Continued)

Another large undertaking for LMHA this past period was the purchase of Westridge Apartments, a 190-bed apartment complex located in western Toledo. The apartment complex was purchased by Westridge Apartments Development Corporation (WADC), wholly owned by LMHA and established in January 2006 as a nonprofit housing development corporation. The board of trustees includes two LMHA board members and one community trustee. At a cost of \$7.9 million, WADC took a mortgage with Red Mortgage Capital of \$5,885,600 at 5.99 percent interest, and used \$2,014,400 in restricted funds (for which 25 percent of the apartment units must be devoted to Section 8 or other low-income residents) for the down payment. This venture has suffered a loss in its first year of operation, but after some course-corrections it now seems to be on a profitable path.

- LMHA's total assets exceeded its liabilities by \$68,995,955 at December 31, 2006. This is a decrease of \$4,477,490 from the previous year, as a result of operations.
- Operating revenues increased by \$22,106,358 (53.8 percent). Revenue was \$63,226,084 and \$41,119,726 for the 18-month period ended December 31, 2006 and the year ended June 30, 2005, respectively. The increase is mainly a result of 18 months of activity versus a 12-month year. Overall, during the fiscal period audited, other revenue highlights include the increase in rental income from Westridge Apartments of approximately \$800,000 and a decrease of HUD funding in contract year 2006 by virtue of using an 86.02 percent proration for our Low-income Public Housing Program.
- Operating expenses increased by \$22,488,143 (46.4 percent). Expenses were \$70,945,746 and \$48,457,604 (including depreciation) for the 18-month period ended December 31, 2006 and the year ended June 30, 2005, respectively. The increase was again due mainly to reporting 18 months of activity versus a 12-month year. There were no other significant variances in expenses other than the addition of the Westridge Apartments activity of approximately \$1,000,000, including depreciation of approximately \$127,000.

### The Authority's Programs

LMHA's financial statements utilize the Enterprise Fund method, on the full accrual basis of accounting. The Enterprise Fund method is similar to accounting used in the private sector. Many of the program funds maintained by LMHA are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control. The Authority's significant programs are described below. Within these main programs, the Lower Income Housing Assistance Program - Voucher Program is deemed to be a major program as defined for federal award purposes under Circular A-133 for the 18-month period ended December 31, 2006.

# Lucas Metropolitan Housing Authority

## Management's Discussion and Analysis (Continued)

**Low-income Public Housing Program** - Under this program, LMHA rents units that it owns in 34 developments and over 200 scattered sites within Lucas County to low-income households. This program is operated under the annual contributions contract (ACC) with HUD, and HUD provides operating subsidy to enable LMHA to provide the housing at a cost that is based upon 30 percent of household income. LMHA currently owns and operates 3,100 subsidized units in this program.

**Section 8 Program** - Within the Section 8 program, LMHA administers contracts with independent landlords that own and lease units within our community. LMHA subsidizes the family's rent through a housing assistance payment (HAP) made to the landlord. These programs are operated under annual contributions contracts (ACC) with HUD, which enables LMHA to structure a lease that sets the participants' housing costs at 30 percent of household income. LMHA currently administers 3,748 housing choice vouchers, 150 mainstream vouchers, 47 moderate rehabilitation units, and 568 site-based units.

**Capital Fund Program** - Under this program, LMHA receives funding for physical and management improvements to its owned units within the low-income public housing program. The Capital Fund Program is operated under the annual contributions contract (ACC) with HUD.

In addition to the programs outlined above, LMHA also maintains the following programs that are deemed to be nonmajor federal programs and other nonfederal programs:

**Resident Services Grants** - Includes grants funded by HUD, such as Resident Opportunity and Self-sufficiency Grant (ROSS), and smaller ABLE and other specific-purpose grants (state and local funding)

**Non-HUD/Business Activities Programs** - Includes programs such as contract administration (a consortium with other housing authorities to manage site-based properties for HUD), as well as proceeds from our old Turnkey III Homeownership Program, and our Veteran's Fund (a discretionary pool of funding developed from a variety of activities). The WADC apartment complex operation is also now considered as a business activity.

### The Authority's Financial Statements

LMHA's basic "authority-wide" accompanying audited financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns which add to a total for the entire authority. These financial statements include a statement of net assets (similar to a balance sheet), which is designed to represent the available assets, net of liabilities, for the entire Authority. Net assets (formerly known as equity) are reported in three broad categories: net assets invested in capital assets (net of related debt and depreciation), formerly called capital contributions; restricted net assets; and unrestricted net assets.

# Lucas Metropolitan Housing Authority

## Management's Discussion and Analysis (Continued)

Our authority-wide financial statements also include a statement of revenues, expenses, and changes in fund 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 nonoperating revenue and expense such as capital grant revenue and investment income. The focus of this statement 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 in operating activities and capital and related financing activities.

We also include additional information which we feel will assist the reader in understanding the financial statements. This additional information will allow the user to address relevant questions, broaden the basis for comparison, and enhance LMHA's accountability.

The following statements are condensed versions of our financial statements, for the purpose of analysis and discussion. See the full financial statements for more details on results of operations.

### Lucas Metropolitan Authority Statement of Net Assets December 31, 2006

The following table represents the condensed statement of net assets compared to the prior year for all of LMHA's programs combined:

	Eighteen Months Ended December 31, 2006	Year Ended June 30, 2005	Change
<b>Assets</b>			
Current and other assets	\$ 16,207,582	\$ 15,837,803	\$ 369,779
Noncurrent assets	<u>63,216,729</u>	<u>62,320,823</u>	<u>895,906</u>
Total assets	79,424,311	78,158,626	1,265,685
<b>Liabilities</b>			
Current and other liabilities	3,568,700	3,339,340	229,360
Noncurrent liabilities	<u>6,859,656</u>	<u>1,345,841</u>	<u>5,513,815</u>
Total liabilities	<u>10,428,356</u>	<u>4,685,181</u>	<u>5,743,175</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	54,619,008	61,695,208	(7,076,200)
Unrestricted	<u>14,376,947</u>	<u>11,778,237</u>	<u>2,598,710</u>
Total net assets	<u>\$ 68,995,955</u>	<u>\$ 73,473,445</u>	<u>\$ (4,477,490)</u>

# Lucas Metropolitan Housing Authority

## Management's Discussion and Analysis (Continued)

### Major Factors Affecting the Statement of Net Assets

Current assets increased by \$369,779 due largely to increases in grants receivable and cash.

Noncurrent assets increased by \$895,906. This is a result of increases in property and equipment and the purchase of Westridge Apartments.

Total liabilities increased by \$5,743,175 due to the mortgage taken out for Westridge Apartments this past period.

Please refer to the full financial statements for more detailed information on these accounts.

### Lucas Metropolitan Housing Authority Revenues and Expenses by Programs Eighteen Months Ended December 31, 2006

The following schedule compares the revenues and expenses for the current and previous fiscal years for all LMHA programs:

	Eighteen Months		
	Ended	Year Ended	
	December 31, 2006	June 30, 2005	Change
<b>Revenue</b>			
Conventional Public Housing (LIPH)	\$ 23,055,971	\$ 15,258,743	\$ 7,797,228
Section 8 Programs	35,277,251	22,558,500	12,718,751
Capital Fund Program (CFP)	2,555,662	2,225,784	329,878
Non-HUD/Other business activities	1,247,116	808,039	439,077
Resident service grants	260,954	268,660	(7,706)
Westridge Apartments (Non-HUD)	829,130	-	829,130
Total revenue	<u>\$ 63,226,084</u>	<u>\$ 41,119,726</u>	<u>\$ 22,106,358</u>
<b>Expenses</b>			
Conventional Public Housing (LIPH)	\$ 33,848,333	\$ 23,417,988	\$ 10,430,345
Section 8 Programs	33,403,471	22,963,619	10,439,852
Capital Fund Program (CFP)	1,682,259	1,284,134	398,125
Non-HUD/Other business activities	712,500	523,202	189,298
Resident service grants	256,559	268,660	(12,101)
Westridge Apartments (Non-HUD)	1,042,624	-	1,042,624
Total expenses	<u>\$ 70,945,746</u>	<u>\$ 48,457,603</u>	<u>\$ 22,488,143</u>

Please refer to the full financial statements for more detailed information on these accounts.

# Lucas Metropolitan Housing Authority

## Management's Discussion and Analysis (Continued)

### Lucas Metropolitan Housing Authority Revenues and Expenses Eighteen Months Ended December 31, 2006

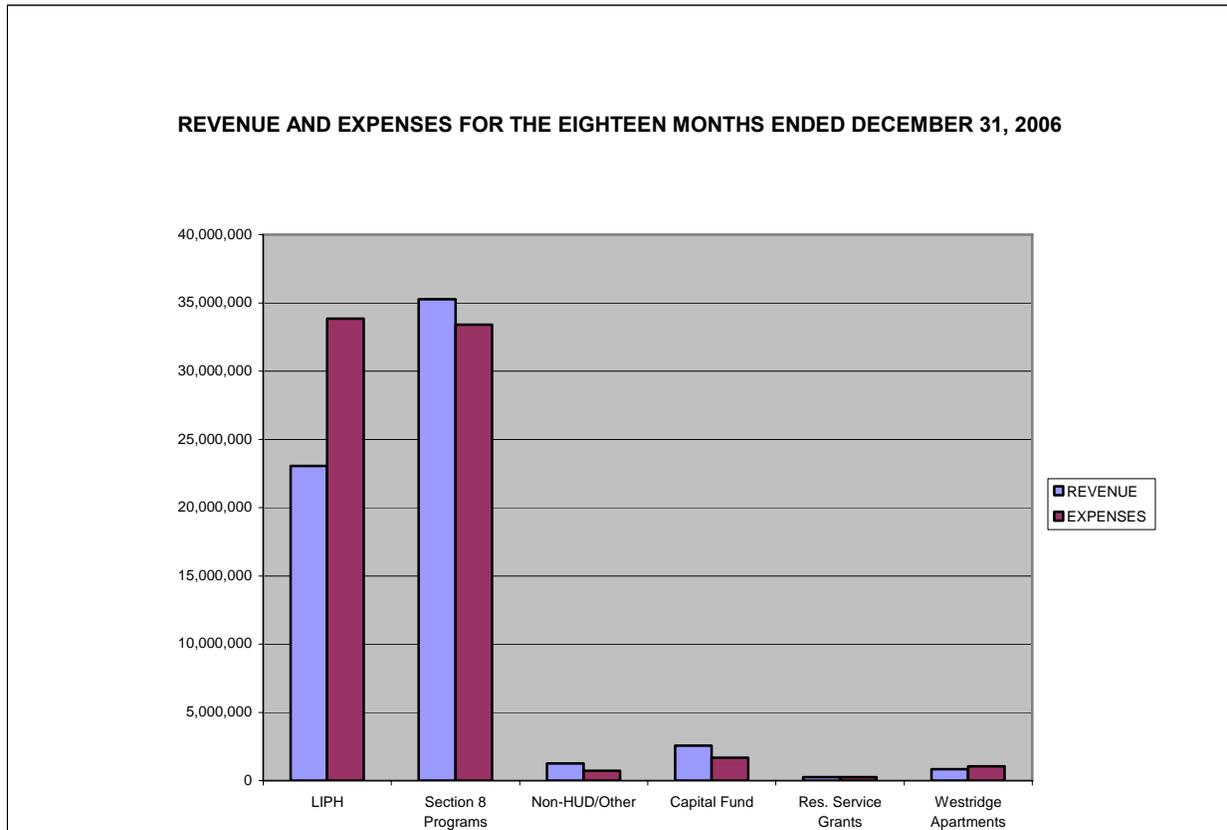
The results of operations for LMHA for the current and previous fiscal years are presented below:

	Eighteen Months		
	Ended	Year Ended	
	December 31, 2006	June 30, 2005	Change
<b>Operating Revenues</b>			
HUD and other grants	\$ 53,230,312	\$ 35,205,632	\$ 18,024,680
Rental income	8,441,893	5,035,284	3,406,609
Other income	949,255	620,543	328,712
Interest income	604,624	258,267	346,357
Total operating revenues	63,226,084	41,119,726	22,106,358
<b>Operating Expenses</b>			
Housing assistance payments	30,375,837	20,712,992	9,662,845
Administrative salaries and benefits	8,436,173	6,139,964	2,296,209
Utilities	7,555,077	4,595,657	2,959,420
Maintenance - Material and labor	6,252,416	4,643,020	1,609,396
Sundry administration	1,912,208	1,986,348	(74,140)
Contract services	2,138,978	1,251,345	887,633
Resident services	1,318,344	1,187,697	130,647
General	2,232,275	1,256,548	975,727
Nonroutine maintenance	(91,609)	(41,645)	(49,964)
Protective service	65,791	47,383	18,408
Interest	273,229	-	273,229
Depreciation	10,477,027	6,678,294	3,798,733
Total operating expenses	70,945,746	48,457,603	22,488,143
<b>Operating Loss</b>	(7,719,662)	(7,337,877)	(381,785)
<b>Nonoperating Income (Expense)</b>			
Net increase in the fair value of investments	44,684	4,245	40,439
Gain (loss) on sale of property and equipment	18,624	(530)	19,154
Total nonoperating income	63,308	3,715	59,593
<b>Loss Before Contributions</b>	(7,656,354)	(7,334,162)	(322,192)
<b>Contributions - Capital grants</b>	3,178,864	2,893,188	285,676
<b>Change in Net Assets</b>	(4,477,490)	(4,440,974)	(36,516)
<b>Net Assets - Beginning of year</b>	73,473,445	77,914,419	(4,440,974)
<b>Net Assets - End of year</b>	<u>\$ 68,995,955</u>	<u>\$ 73,473,445</u>	<u>\$ (4,477,490)</u>

# Lucas Metropolitan Housing Authority

## Management's Discussion and Analysis (Continued)

### Lucas Metropolitan Housing Authority Revenues and Expenses 18 Months Ended December 31, 2006



#### Major Factors Affecting the Statement of Revenue, Expenses, and Changes in Net Assets

Increases in revenues and expenses are due mainly to the 18-month period of the transition to a calendar year. The acquisition of Westridge Apartments also resulted in increases in rental revenue and related rental expenses during the period.

Please refer to the full financial statements for more detailed information on these accounts.

# Lucas Metropolitan Housing Authority

## Management's Discussion and Analysis (Continued)

### Lucas Metropolitan Housing Authority Comparison of Capital Assets at Period End - Net of Depreciation Eighteen Months Ended December 31, 2006

	Eighteen Months		
	Ended	Year Ended	
	December 31, 2006	June 30, 2005	Change
Land	\$ 7,783,214	\$ 6,636,230	\$ 1,146,984
Buildings	157,434,600	146,932,034	10,502,566
Equipment	3,462,393	3,161,211	301,182
Accumulated depreciation	<u>(115,485,264)</u>	<u>(105,152,122)</u>	<u>(10,333,142)</u>
Subtotal	53,194,943	51,577,353	1,617,590
Work in progress	<u>9,310,297</u>	<u>10,117,855</u>	<u>(807,558)</u>
Total	<u><b>\$ 62,505,240</b></u>	<u><b>\$ 61,695,208</b></u>	<u><b>\$ 810,032</b></u>

During the 18-month period ended December 31, 2006, the net change in capital assets amounted to an increase of \$810,032. The above table represents the changes in the asset accounts by category as follows:

- Land increased by over \$1 million and buildings by over \$10 million; these increases are due mainly to the purchase of Westridge Apartments. It also includes the purchase of several vacant properties located near the Weiler Homes development. LMHA has razed these structures to improve the overall neighborhood appearance as part of an ongoing effort in this community.
- Equipment values increased by \$301,182 due to replacement of obsolete equipment and vehicles during the year.
- Accumulated depreciation increased by \$10,333,142. The increase includes current depreciation expense of \$10,477,027 and several write-offs and other adjustments during the 18-month period ended December 31, 2006.
- Work in progress decreased by \$807,558 over the prior year. This reflects decreased funding provided by HUD for the ongoing renovations and improvements to various public housing developments during the year.

# Lucas Metropolitan Housing Authority

## Statement of Net Assets December 31, 2006

### Assets

#### Current Assets

Cash and cash equivalents	\$ 10,331,714
Investments	3,035,227
Grants receivable	460,720
Tenant receivables - Net of allowance for doubtful accounts of \$39,205	75,016
Notes receivable	845,554
Interest receivable	24,039
Inventory	494,682
Development costs	7,421
Prepaid expenses	933,209

Total current assets 16,207,582

#### Noncurrent Assets

Restricted cash	711,489
Property and equipment - Net of accumulated depreciation of \$115,485,264	62,505,240

Total assets \$ 79,424,311

### Liabilities and Net Assets

#### Current Liabilities

Accounts payable	\$ 675,554
Accounts payable - HUD	131,944
Security and other trust deposits	385,360
Accrued wages and payroll taxes	677,037
Compensated absences	363,869
Notes payable - Current portion	70,474
Other current liabilities	1,264,462

Total current liabilities 3,568,700

#### Noncurrent Liabilities

Compensated absences	1,093,442
Notes payable - Net of current portion	5,766,214

Total liabilities 10,428,356

#### Net Assets

Invested in capital assets - Net of related debt	56,668,552
Unrestricted	12,327,403

Total net assets 68,995,955

Total liabilities and net assets \$ 79,424,311

# Lucas Metropolitan Housing Authority

## Statement of Revenues, Expenses, and Changes in Net Assets Eighteen-month Period Ended December 31, 2006

<b>Operating Revenues</b>	
HUD and other grants	\$ 53,230,312
Rental income	8,441,893
Other income	949,255
Interest income	<u>604,624</u>
Total operating revenues	63,226,084
<b>Operating Expenses</b>	
Housing assistance payments	30,375,837
Administrative salaries and benefits	8,436,173
Utilities	7,555,077
Maintenance - Material and labor	6,252,416
Sundry administration	1,912,208
Contract services	2,138,978
Resident services	1,318,344
General	2,232,275
Nonroutine maintenance	(91,609)
Protective service	65,791
Interest expense	273,229
Depreciation	<u>10,477,027</u>
Total operating expenses	<u>70,945,746</u>
<b>Operating Loss</b>	(7,719,662)
<b>Nonoperating Income</b>	
Net increase in the fair value of investments	44,684
Gain on sale of property and equipment	<u>18,624</u>
Total nonoperating income	<u>63,308</u>
<b>Loss Before Contributions</b>	(7,656,354)
<b>Contributions - Capital grants</b>	<u>3,178,864</u>
<b>Change in Net Assets</b>	(4,477,490)
<b>Net Assets - Beginning of period</b>	<u>73,473,445</u>
<b>Net Assets - End of period</b>	<u><u>\$ 68,995,955</u></u>

# Lucas Metropolitan Housing Authority

## Statement of Cash Flows Eighteen-month Period Ended December 31, 2006

### Cash Flows from Operating Activities

Cash received from HUD operating subsidies and grants	\$ 53,537,044
Cash received from tenants	8,441,012
Other receipts	1,558,194
Cash payments for housing assistance	(30,623,234)
Cash payments for administrative expenses	(27,224,194)
Cash payments for other operating expenses	(1,317,770)
Cash payments for resident and other services	(1,924,992)
Interest and other investment activity	3,508,141
Other payments	<u>31,480</u>

Net cash provided by operating activities 5,985,681

### Cash Flows from Capital and Related Financing Activities

HUD capital grants	3,216,112
Proceeds from issuance of notes payable	5,885,600
Repayment of notes payable	(48,912)
Issuance of notes receivable	(850,000)
Payments from notes receivable	4,446
Purchase of property and equipment	<u>(11,305,683)</u>

Net cash used in capital and related financing activities (3,098,437)

**Net Increase in Cash and Cash Equivalents** 2,887,244

**Cash and Cash Equivalents - Beginning of period** 8,155,959

**Cash and Cash Equivalents - End of period** \$ 11,043,203

### Cash and Cash Equivalents Reconciliation

Cash and cash equivalents	\$ 10,331,714
Restricted cash	<u>711,489</u>

Total cash and cash equivalents \$ 11,043,203

# Lucas Metropolitan Housing Authority

## Statement of Cash Flows (Continued) Eighteen-month Period Ended December 31, 2006

<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (7,719,662)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	10,477,027
Bad debts	28,488
(Increase) decrease in operating assets:	
Receivables	289,838
Inventory	43,638
Investments	3,508,141
Prepaid expenses and other assets	(548,276)
Increase (decrease) in operating liabilities:	
Accounts payable	(369,622)
Compensated absences	(260,925)
Other liabilities	531,015
Security and other trust deposits	6,019
	<hr/>
Net cash provided by operating activities	<b><u>\$ 5,985,681</u></b>

# Lucas Metropolitan Housing Authority

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## Notes to Financial Statements December 31, 2006

### Note I - Summary of Significant Accounting Policies

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is 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. The criteria of financial accountability is the appointment of a voting majority plus the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has included as a business activity the operations of Westridge Apartments Development Corporation (WADC) as a blended component unit for the 18-month period ended December 31, 2006.

WACD was established as a wholly owned not-for-profit corporation of the Authority in January 2006 primarily for the purpose of owning and operating a mixed income apartment complex in Toledo, Ohio.

**Basis of Accounting** - The basic financial statements of the Authority have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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.

# Lucas Metropolitan Housing Authority

Notes to Financial Statements  
December 31, 2006

## Note 1 - Summary of Significant Accounting Policies (Continued)

The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Authority only applies applicable GASB pronouncements.

The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The Authority uses a single Enterprise Fund to maintain its financial records on an accrual basis.

The Authority considers all revenue and expenses to be operating except for capital funding, which is considered nonoperating income as required by HUD.

**Cash and Cash Equivalents** - The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Tenant Receivables - Recognition of Bad Debts** - Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year.

**Inventories** - Inventories and materials are stated at average cost, which approximates market.

**Property and Equipment** - Property and equipment are recorded at cost. Costs in excess of \$500 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and improvement	20-40 years
Land and improvements	10-20 years
Furniture and fixtures, equipment, and moving vehicles	5-7 years

**Work in Progress** - Work in progress consists of capital projects in progress funded primarily by the comprehensive and capital grants programs.

# Lucas Metropolitan Housing Authority

Notes to Financial Statements  
December 31, 2006

## Note 1 - Summary of Significant Accounting Policies (Continued)

**Investments** - Investments are stated at fair value. Cost-based measures of fair value were applied to non-negotiable certificates of deposit and money market investments. Fair value of government securities, commercial paper, and the Star Ohio investments is determined using amounts confirmed by the investment institutions and adjusting amounts as necessary for discounts, premiums, and/or interest income.

**Restricted Cash and Investments** - Restricted cash represents amounts held in FSS escrow, other tenants' escrow accounts, and employee Section 125 withholding accounts. Restricted investments consist of amounts whose use is restricted only by HUD requirements and approval.

**Revenue Recognition** - The Authority receives funds from certain federal and other agencies under various grant programs. Receivables are recorded based upon amounts expended for the various programs for which funds have not been received, to the extent grant limits have not been exceeded. The Authority leases properties to tenants under various rental arrangements. Recoveries from tenants are recognized as revenue in the period during which the associated costs are incurred.

## Note 2 - Deposits and Investments

**Deposits** - The Authority's deposits and investments are included at their carrying values on the statement of net assets under the following classifications:

Cash and cash equivalents	\$ 10,331,714
Investments	3,035,227
Restricted cash	<u>711,489</u>
Total	<u>\$ 14,078,430</u>

# Lucas Metropolitan Housing Authority

## Notes to Financial Statements December 31, 2006

### Note 2 - Deposits and Investments (Continued)

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 10,109,625
Investments in securities, bank investment pools, interlocal investment pools, commercial paper, and mutual funds	3,967,505
Petty cash or cash on hand	<u>1,300</u>
Total	<u><u>\$ 14,078,430</u></u>

#### Deposits

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable, or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories.

Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category I includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name.

# Lucas Metropolitan Housing Authority

## Notes to Financial Statements December 31, 2006

### Note 2 - Deposits and Investments (Continued)

Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name.

Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

The bank balances of the Authority's deposits are \$10,064,425 at December 31, 2006.

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

Category 1        \$100,000 was covered by federal depository insurance at December 31, 2006.

Category 3        \$9,964,425 was covered by collateral held by the pledging financial institution, but not in the name of the Authority, at December 31, 2006.

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

#### Investments

HUD, the State Senate, and board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, bonds and other obligations of this state, and the state treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling is also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

# Lucas Metropolitan Housing Authority

## Notes to Financial Statements December 31, 2006

### Note 2 - Deposits and Investments (Continued)

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department but not in the Authority's name. The Authority's investment in STAR Ohio (State Treasury Asset Reserve, managed by the Treasurer of the State of Ohio) is not subject to credit risk categorization since it is not evidenced by securities that exist in physical or book entry form. The Authority's investments, except STAR Ohio, are all Category A and consist of the following at December 31, 2006:

Government securities	\$ 3,035,226
STAR Ohio	<u>932,279</u>
Total investments	<u>\$ 3,967,505</u>

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities. The Authority has \$3,035,226 of government agency securities with an average weighted maturity of 1.92 years.

#### Credit Risk

The Authority has \$3,035,226 of government agency securities that are not rated.

#### Concentration of Credit Risk

The Authority places no limit on the amount which may be invested in any one issuer. All of the Authority's investments are in Freddie Mac, Fannie Mae, and Federal Home Loan securities, which are government-sponsored agencies, of which the principal and interest are guaranteed by the United States government.

# Lucas Metropolitan Housing Authority

## Notes to Financial Statements December 31, 2006

### Note 3 - Property and Equipment

A summary of property and equipment by class is as follows:

	Balance July 1, 2005	Additions	Adjustments	Balance December 31, 2006
Capital assets:				
Buildings and improvements	\$ 146,932,034	\$ 10,502,566	\$ -	\$ 157,434,600
Land and improvements	6,636,230	1,181,855	(34,871)	7,783,214
Furniture and fixtures, equipment, and moving vehicles	3,161,211	448,555	(147,373)	3,462,393
Work in progress	<u>10,117,855</u>	<u>310,350</u>	<u>(1,117,908)</u>	<u>9,310,297</u>
Total capital assets	166,847,330	12,443,326	(1,300,152)	177,990,504
Accumulated depreciation:				
Buildings and improvements	102,492,677	10,054,574	-	112,547,251
Furniture and fixtures, equipment, and moving vehicles	<u>2,659,445</u>	<u>422,453</u>	<u>(143,885)</u>	<u>2,938,013</u>
Total accumulated depreciation	<u>105,152,122</u>	<u>10,477,027</u>	<u>(143,885)</u>	<u>115,485,264</u>
Net capital assets	<u>\$ 61,695,208</u>	<u>\$ 1,966,299</u>	<u>\$ (1,156,267)</u>	<u>\$ 62,505,240</u>

### Note 4 - Administrative Fee

The Authority receives an administrative fee as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. Except for housing choice vouchers, this fee is calculated as a percentage of a HUD-determined base rate per leased unit per month under HAP contracts. The rates are as follows:

- |  |              |
|--|--------------|
| a. Moderate Rehabilitation Program (OH006MR0004)                     | \$45.03/unit |
| b. Five-year Mainstream Voucher Program (OH006DV003)                 | 45.03/unit   |
| c. New Construction Program -<br>(OH006NCO003, 010,044,019, and 004) | 27.44/unit   |
| d. Housing Choice Vouchers (OH006AF001-012)                          | *            |

\* Effective with the current reporting period, administrative fees for these vouchers and all programs supported by the Housing Choice Voucher Program are now calculated by HUD based on historical usage patterns and available funding and distributed as a consolidated monthly amount.

The total administrative fees received for the period ended December 31, 2006 was \$3,509,197.

# Lucas Metropolitan Housing Authority

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**Notes to Financial Statements  
December 31, 2006**

## **Note 5 - Retirement and Other Benefit Plans**

The employees of the Authority are covered by the Public Employees' Retirement System of Ohio (PERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan. PERS provides postretirement health care 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. PERS issues a publicly available financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50 percent of qualifying wages for all employees. The 2004-2005 employer contribution rate was 13.31 percent. Required employer contributions are equal to 100 percent of the dollar amount billed to each employer and must be extracted from the employer's records.

The Authority's contributions to PERS for the period ended December 31, 2006 was \$1,007,482. All required contributions were made prior to year end.

The Public Employees' Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability 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. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rates were 13.31 percent of covered payroll; 4.00 percent was the portion that was used to fund health care for 2005. OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

As of December 31, 2005, the estimated net assets available for future OPEB payments totaled \$50.5 billion per the latest actuarial review. The number of active contributing participants was 381,413.

# Lucas Metropolitan Housing Authority

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**Notes to Financial Statements  
December 31, 2006**

## **Note 5 - Retirement and Other Benefit Plans (Continued)**

The Authority may participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan agreement states that the Authority and the Ohio Public Employees' Deferred Compensation Board have no liability for losses under the plan, with the exception of fraud or wrongful taking.

## **Note 6 - Compensated Absences**

Vacation and sick leave policies are established by agreement between the Authority and the American Federation of State, County and Municipal Employees, AFL-CIO, for members of the bargaining unit, and by personnel policy for management employees not covered by the labor agreement.

For both union and nonunion employees, these agreements provide for two weeks of paid vacation after one year of service, with an additional week for every five years of service thereafter, to a maximum of six weeks per year. Vacation time relating to a maximum of two years of service may be accumulated before it is lost.

For union personnel, the labor agreement provides for sick leave pay to be credited at a rate of eight hours per month, up to a maximum of 249 days. By limiting the use of sick leave during the fiscal year, an employee may elect to receive either bonus attendance time, to a maximum of five days, or an incentive bonus, to a maximum of \$500. Nonunion personnel have the same provisions under the personnel policies.

For union personnel, in the event of voluntary termination of employment after 10 consecutive years of service, or due to retirement, such employees are entitled to receive payment for one-half of their accumulated sick leave (maximum of 204 days accumulated, with a maximum payout of 102 days). All terminated employees are entitled to receive payment for any accrued and unused vacation time. In the event of the death of an employee, the designated beneficiary shall receive such payments.

For employees not covered under the labor agreement, in the event of voluntary termination of employment after five consecutive years of service, or due to retirement, such employees are entitled to receive payment for one-half of their accumulated sick leave (maximum of 249 days accumulated, with a maximum payout of 124.5 days). All terminated employees are entitled to receive payment for any accrued and unused vacation time. In the event of the death of an employee, the designated beneficiary shall receive such payments.

# Lucas Metropolitan Housing Authority

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## Notes to Financial Statements December 31, 2006

### Note 6 - Compensated Absences (Continued)

All employees hired prior to December 1, 2001 become eligible for longevity pay at the end of five years of service, at which time longevity pay begins to accrue from their anniversary date. Union personnel hired on December 1, 2001 and thereafter will not be eligible for longevity pay. Union personnel receive longevity pay at their 1995 pay levels at the rate of 2 percent, 4 percent, 6 percent, and 8 percent for five years, 10 years, 15 years, and 20 years, respectively, of service. All nonunion personnel are eligible for longevity pay and receive longevity pay at their current pay levels at the rate of 1 percent, 2 percent, 3 percent, and 4 percent for five years, 10 years, 15 years, and 20 years, respectively, of service. At December 31, 2006, \$1,457,311 of vested vacation, sick leave, and longevity was accrued by the Authority for both union and nonunion personnel. Nonvested amounts are not material to the financial statements and have not been accrued.

### Note 7 - Insurance

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.

No insurance settlements have exceeded coverage in any of the past three fiscal years and there has not been any significant reduction in insurance coverage in the current year.

### Note 8 - Commitments and Contingencies

**Grants** - The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2006.

**Commitments** - The Authority is obligated to complete modernization phases to renovate various facilities. At December 31, 2006, there were three open phases totaling \$7,215,185 for which the Authority has approved funding from HUD to complete.

**Litigation and Claims** - In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2006, the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

# Lucas Metropolitan Housing Authority

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## Notes to Financial Statements December 31, 2006

### Note 9 - Notes Payable

Westridge Apartments Development Corporation has a note payable to Red Mortgage Capital, Inc. payable in monthly installments of \$35,249, including interest at 5.99 percent. A lump-sum payment of principal is due in March 2016.

Future minimum payments on long-term debt over the next five years ending December 31 and thereafter are as follows:

2007	\$	70,474
2008		73,873
2009		79,488
2010		84,453
2011		89,726
Thereafter		<u>5,438,674</u>
Total	\$	<u>5,836,688</u>

## **Supplemental Information**

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# Lucas Metropolitan Housing Authority

	Low Rent	Section 8 Program	Comprehensive Grant Program	Resident Service Grants
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,704,981	\$ 4,151,292	\$ -	\$ -
Investments	742,033	-	-	-
Due from other programs	1,183,733	-	-	-
Grants receivable	-	181,547	199,550	26,108
Tenant receivables - Net of allowance for doubtful accounts	75,016	-	-	-
Notes receivable	-	-	-	-
Interest receivable	5,044	-	-	-
Inventory	494,288	394	-	-
Prepaid expenses	431,380	263,447	-	-
Development cost	-	-	7,421	-
Total current assets	5,636,475	4,596,680	206,971	26,108
<b>Noncurrent Assets</b>				
Restricted cash	353,871	312,419	-	-
Work in progress	-	-	9,112,294	-
Property and equipment - Net of accumulated depreciation	45,257,636	-	-	-
Total assets	<u>\$ 51,247,982</u>	<u>\$ 4,909,099</u>	<u>\$ 9,319,265</u>	<u>\$ 26,108</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 457,143	\$ 10,549	\$ 181,524	\$ 21,386
Accounts payable - HUD	-	131,944	-	-
Security and other trust deposits	340,161	-	-	-
Accrued wages and payroll taxes	633,928	36,678	-	-
Due to other programs	-	1,120,355	39,402	(4,515)
Compensated absences	310,286	42,684	-	-
Notes payable - Current portion	-	-	-	-
Other current liabilities	113,613	958,177	-	4,842
Total current liabilities	1,855,131	2,300,387	220,926	21,713
<b>Noncurrent Liabilities</b>				
Compensated absences	926,148	155,131	-	-
Notes payable - Net of current portion	-	-	-	-
Total liabilities	2,781,279	2,455,518	220,926	21,713
<b>Net Assets</b>				
Retained earnings	-	-	-	-
Invested in capital assets - Net of related debt	45,257,636	-	9,112,294	-
Unrestricted	3,209,067	2,453,581	(13,955)	4,395
Total net assets	48,466,703	2,453,581	9,098,339	4,395
Total liabilities and net assets	<u>\$ 51,247,982</u>	<u>\$ 4,909,099</u>	<u>\$ 9,319,265</u>	<u>\$ 26,108</u>

**Financial Data Schedule of Net Assets by Program  
December 31, 2006**

Business Activities				
Other Non-HUD	WADC	Subtotal	Elimination of Combined Program Activity	Total
\$ 3,455,032	\$ 20,409	\$ 10,331,714	\$ -	\$ 10,331,714
2,293,194	-	3,035,227	-	3,035,227
50,000	-	1,233,733	(1,233,733)	-
250,000	53,515	710,720	(250,000)	460,720
-	-	75,016	-	75,016
845,554	-	845,554	-	845,554
18,995	-	24,039	-	24,039
-	-	494,682	-	494,682
101,994	136,388	933,209	-	933,209
-	-	7,421	-	7,421
<u>7,014,769</u>	<u>210,312</u>	<u>17,691,315</u>	<u>(1,483,733)</u>	<u>16,207,582</u>
-	45,199	711,489	-	711,489
198,003	-	9,310,297	-	9,310,297
<u>51,075</u>	<u>7,886,232</u>	<u>53,194,943</u>	<u>-</u>	<u>53,194,943</u>
<b><u>\$ 7,263,847</u></b>	<b><u>\$ 8,141,743</u></b>	<b><u>\$ 80,908,044</u></b>	<b><u>\$ (1,483,733)</u></b>	<b><u>\$ 79,424,311</u></b>
\$ 4,952	\$ -	\$ 675,554	\$ -	\$ 675,554
-	-	131,944	-	131,944
-	45,199	385,360	-	385,360
6,431	-	677,037	-	677,037
27,621	300,870	1,483,733	(1,483,733)	-
10,899	-	363,869	-	363,869
-	70,474	70,474	-	70,474
<u>29,750</u>	<u>158,080</u>	<u>1,264,462</u>	<u>-</u>	<u>1,264,462</u>
79,653	574,623	5,052,433	(1,483,733)	3,568,700
12,163	-	1,093,442	-	1,093,442
-	5,766,214	5,766,214	-	5,766,214
<u>91,816</u>	<u>6,340,837</u>	<u>11,912,089</u>	<u>(1,483,733)</u>	<u>10,428,356</u>
249,078	2,049,544	56,668,552	-	56,668,552
6,922,953	(248,638)	12,327,403	-	12,327,403
<u>7,172,031</u>	<u>1,800,906</u>	<u>68,995,955</u>	<u>-</u>	<u>68,995,955</u>
<b><u>\$ 7,263,847</u></b>	<b><u>\$ 8,141,743</u></b>	<b><u>\$ 80,908,044</u></b>	<b><u>\$ (1,483,733)</u></b>	<b><u>\$ 79,424,311</u></b>

# Lucas Metropolitan Housing Authority

	Low Rent	Section 8 Program	Comprehensive Grant Program	Resident Service Grants
<b>Operating Revenues</b>				
HUD and other grants	\$ 15,217,679	\$ 35,196,017	\$ 2,555,662	\$ 260,954
Rental income	7,594,380	-	-	-
Other income	39,472	81,234	-	-
Interest income	204,440	-	-	-
Total operating revenues	23,055,971	35,277,251	2,555,662	260,954
<b>Operating Expenses</b>				
Housing assistance payments	-	30,375,837	-	-
Administrative salaries and benefits	4,845,866	2,385,346	751,954	-
Utilities	7,107,068	403,712	-	-
Maintenance - Material and labor	5,387,305	-	679,728	-
Sundry administration	1,256,538	79,180	236,791	-
Contract services	2,103,720	-	12,410	-
Resident services	1,060,409	-	1,376	256,559
General	1,784,987	157,888	-	-
Nonroutine maintenance	(91,609)	-	-	-
Protective service	64,843	408	-	-
Interest expense	-	-	-	-
Depreciation	10,329,206	1,100	-	-
Total operating expenses	33,848,333	33,403,471	1,682,259	256,559
<b>Operating Income (Loss)</b>	(10,792,362)	1,873,780	873,403	4,395
<b>Nonoperating Income (Expense)</b>				
Net increase in the fair value of investments	21,189	-	-	-
Gain (loss) on sale of property and equipment	(38,337)	-	-	-
Total nonoperating income (expense)	(17,148)	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>	(10,809,510)	1,873,780	873,403	4,395
<b>Contributions and Transfers</b>				
Capital grants	-	-	3,178,864	-
Operating transfer in	868,500	-	-	-
Operating transfer out	-	-	(868,500)	-
<b>Change in Net Assets</b>	<b>\$ (9,941,010)</b>	<b>\$ 1,873,780</b>	<b>\$ 3,183,767</b>	<b>\$ 4,395</b>

**Financial Data Schedule of Revenues, Expenses,  
and Changes in Net Assets by Program  
Eighteen-month Period Ended December 31, 2006**

Business Activities		
Other Non-HUD	WADC	Total
\$ -	\$ -	\$ 53,230,312
30,761	816,752	8,441,893
816,685	11,864	949,255
<u>399,670</u>	<u>514</u>	<u>604,624</u>
1,247,116	829,130	63,226,084
-	-	30,375,837
453,007	-	8,436,173
4,070	40,227	7,555,077
882	184,501	6,252,416
146,245	193,454	1,912,208
22,848	-	2,138,978
-	-	1,318,344
65,180	224,220	2,232,275
-	-	(91,609)
540	-	65,791
-	273,229	273,229
<u>19,728</u>	<u>126,993</u>	<u>10,477,027</u>
<u>712,500</u>	<u>1,042,624</u>	<u>70,945,746</u>
534,616	(213,494)	(7,719,662)
23,495	-	44,684
<u>56,961</u>	<u>-</u>	<u>18,624</u>
<u>80,456</u>	<u>-</u>	<u>63,308</u>
615,072	(213,494)	(7,656,354)
-	-	3,178,864
-	-	868,500
<u>-</u>	<u>-</u>	<u>(868,500)</u>
<u>\$ 615,072</u>	<u>\$ (213,494)</u>	<u>\$ (4,477,490)</u>

# Lucas Metropolitan Housing Authority

## Schedule of Units Under Management

LMHA had the following units under management at December 31, 2006 (in units):

LMHA-owned housing - OH00600106	3,100
Moderate rehabilitation - OH006-MR-004	47
Voucher - OH006-V0 - Mainstream HCV	3,748
New construction:	
OH006-NCO-003	120
OH006-SBO-010	159
OH006-NCO-044	40
OH006-NCO-019	229
OH006-NCO-004	<u>20</u>
 Total	 <u><u>7,463</u></u>
 Non-HUD units under management - Westridge Apartments	 <u><u>190</u></u>

# Lucas Metropolitan Housing Authority

## Actual Modernization Cost Certification Fiscal Year Ended December 31, 2006

### Comprehensive Grant Program OH12P006501-03

Funds approved	\$ 4,870,945
Funds expended	<u>4,870,945</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 4,870,945
Funds expended	<u>4,870,945</u>
Excess (deficiency) of funds approved	<u>\$ -</u>

#### Notes:

- 1) The distribution of costs as shown on the schedule of modernization grant expenditures submitted to HUD for approval is in agreement with LMHA's records.
- 2) All modernization grant costs have been paid and all related liabilities have been discharged through payment.

# Lucas Metropolitan Housing Authority

**Actual Comprehensive Grant  
Cost Certificate**  
Comprehensive Grant Program (CGP)

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

OMB Approval No. 2577-0157  
(Exp. 09/30/2005)

PHA/IHA Name  <b>Lucas Metropolitan Housing Authority</b>	Comprehensive Grant Number <b>OH12P00650103</b>
	FFY of Grant Approval <b>2003</b>

The PHA/IHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Comprehensive Grant, is as shown below:

A. Original Funds Approved	\$ <b>4,870,945.00</b>
B. Revised Funds Approved	\$ <b>4,870,945.00</b>
C. Funds Advanced	\$ <b>4,870,945.00</b>
D. Funds Expended (Actual Modernization Cost)	\$ <b>4,870,945.00</b>
E. Amount to be Recaptured (A-D)	\$ <b>-0-</b>
F. Excess of Funds Advanced (C-D)	\$ <b>-0-</b>

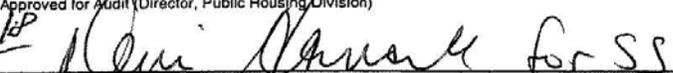
2. That all modernization work in connection with the Comprehensive Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.  
**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature  <b>Lawrence E. Gaster, Executive Director</b>	Date <b>09/29/2006</b>
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**For HUD Use Only**

The Cost Certificate is approved for audit.

Approved for Audit (Director, Public Housing Division)  for SS	Date <b>11/6/06</b>
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The audited costs agree with the costs shown above.

Verified (Director, Public Housing Division)	Date
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Approved (Field Office Manager)	Date
---------------------------------	------

form HUD-52839 (2/92)  
ref Handbook 7485.3

# Lucas Metropolitan Housing Authority

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## Actual Modernization Cost Certification Fiscal Year Ended December 31, 2006

### Comprehensive Grant Program OH12P006502-03

Funds approved	\$ 992,281
Funds expended	<u>992,281</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 992,281
Funds expended	<u>992,281</u>
Excess (deficiency) of funds approved	<u>\$ -</u>

# Lucas Metropolitan Housing Authority

**Actual Comprehensive Grant  
Cost Certificate**  
Comprehensive Grant Program (CGP)

U.S. Department of Housing  
and Urban Development  
Office of Public and Indian Housing

OMB Approval No. 2577-0157  
(Exp. 09/30/2005)

PHA/IHA Name  <b>Lucas Metropolitan Housing Authority</b>	Comprehensive Grant Number <b>OH12P00650203</b>
	FFY of Grant Approval <b>2003</b>

The PHA/IHA hereby certifies to the Department of Housing and Urban Development as follows:

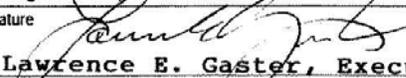
1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Comprehensive Grant, is as shown below:

A. Original Funds Approved	\$ 992,281.00
B. Revised Funds Approved	\$ 992,281.00
C. Funds Advanced	\$ 992,281.00
D. Funds Expended (Actual Modernization Cost)	\$ 992,281.00
E. Amount to be Recaptured (A-D)	\$ -0-
F. Excess of Funds Advanced (C-D)	\$ -0-

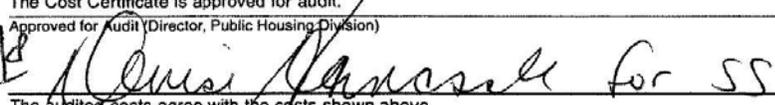
2. That all modernization work in connection with the Comprehensive Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature  <b>Lawrence E. Gaster, Executive Director</b>	Date <b>09/29/2006</b>
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**For HUD Use Only**

The Cost Certificate is approved for audit.	
Approved for Audit (Director, Public Housing Division)  The audited costs agree with the costs shown above.	Date <b>11/6/06</b>
Verified (Director, Public Housing Division)	Date
Approved (Field Office Manager)	Date

form HUD-52839 (2/92)  
ref Handbook 7485.3

# **Lucas Metropolitan Housing Authority**

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**Federal Awards  
Supplemental Information  
December 31, 2006**

# Lucas Metropolitan Housing Authority

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## Independent Auditor's Report

To the Board of Commissioners  
Lucas Metropolitan Housing Authority

We have audited the basic financial statements of Lucas Metropolitan Housing Authority as of and for the 18-month period ended December 31, 2006 and have issued our report thereon dated August 16, 2007. Those basic financial statements are the responsibility of the management of Lucas Metropolitan Housing Authority. Our responsibility was to express opinions on those basic financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lucas Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

August 16, 2007

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Board of Commissioners  
Lucas Metropolitan Housing Authority

We have audited the financial statements of Lucas Metropolitan Housing Authority as of and for the 18-month period ended December 31, 2006 and have issued our report thereon dated August 16, 2007. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Commissioners  
Lucas Metropolitan Housing Authority

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lucas Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

*Plante & Moran, PLLC*

August 16, 2007

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Commissioners  
Lucas Metropolitan Housing Authority

### **Compliance**

We have audited the compliance of Lucas Metropolitan Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the 18-month period ended December 31, 2006. The major federal program of Lucas Metropolitan Housing Authority is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of management. Our responsibility is to express an opinion on Lucas Metropolitan Housing Authority's compliance based on our audit.

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; and 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 compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lucas Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Lucas Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the 18-month period ended December 31, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 2006-1.

To the Board of Commissioners  
Lucas Metropolitan Housing Authority

### **Internal Control Over Compliance**

The management of Lucas Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lucas Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above. However, the results of our auditing procedures disclosed an internal control deficiency that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 2006-1.

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

*Plante & Moran, PLLC*

August 16, 2007

# Lucas Metropolitan Housing Authority

## Schedule of Expenditures of Federal Awards Eighteen-month Period Ended December 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Direct Programs:				
Low Income Public Housing	14.850	C-5005	\$ 15,217,677	\$ 15,217,677
Lower Income Housing Assistance Program - Voucher	14.871	C-5035	28,829,618	28,829,618
Mainstream Program	14.181	C-5035	984,080	984,080
Lower Income Section 8 Project-based Cluster:				
Lower Income Housing Assistance Program - Moderate Rehabilitation	14.856	C-5035	347,219	347,219
Lower Income Housing Assistance Program - New Construction	14.182	C-5035	5,035,098	<u>5,035,098</u>
Total Lower Income Section 8 Project-based Cluster				5,382,317
Public Housing Capital Fund Program Grant Program:				
Public Housing Capital Fund Program 2003	14.872	OH12P006501-03	4,870,945	119,269
Public Housing Capital Fund Program 2003	14.872	OH12P006502-03	992,281	65,632
Public Housing Capital Fund Program 2004	14.872	OH12P006501-04	5,654,189	2,140,337
Public Housing Capital Fund Program 2005	14.872	OH12P006501-05	5,400,036	3,298,300
Public Housing Capital Fund Program 2006	14.872	OH12P006501-06	4,837,495	103,566
Public Housing Capital Fund Program 2003	14.872	OH12R006501-03	107,971	<u>7,421</u>
Total Public Housing Capital Fund Program Grant				5,734,525
Resident Opportunities and Support Services:				
Resident Opportunities and Support Services	14.870	OH006RFS087A004	48,481	45,590
Resident Opportunities and Support Services	14.870	OH006RFS008A005	48,966	-
ROSS Homeownership Grant - 2004	14.870	OH006RHH036A003	350,000	85,226
ROSS Neighborhood Network	14.870	OH006RNN029A003	100,000	50,290
ROSS - Hope House	14.870	OH006REF052A005	350,000	<u>38,009</u>
Total Resident Opportunities and Support Services				<u>219,115</u>
Total federal assistance				<u><b>\$ 56,367,332</b></u>

# Lucas Metropolitan Housing Authority

## Notes to Schedule of Expenditures of Federal Awards Eighteen-month Period Ended December 31, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lucas Metropolitan Housing Authority and is presented on the same basis of accounting as the basic financial statements. 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 basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Lower Income Housing Assistance Program New Construction	14.182	\$ 4,750,174

# Lucas Metropolitan Housing Authority

## Schedule of Findings and Questioned Costs Eighteen-month Period Ended December 31, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) 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 program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

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

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

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Lower Income Housing Assistance Program - Voucher

Dollar threshold used to distinguish between type A and type B programs: \$1,691,020

Auditee qualified as low-risk auditee?  Yes  No

# Lucas Metropolitan Housing Authority

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## Schedule of Findings and Questioned Costs (Continued) Eighteen-month Period Ended December 31, 2006

### Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

# Lucas Metropolitan Housing Authority

## Schedule of Findings and Questioned Costs (Continued) Eighteen-month Period Ended December 31, 2006

### Section III - Federal Program Audit Findings

Reference Number	Findings
2006-1	<p><b>Program Name</b> - Section 8 Housing Choice Voucher Program - CFDA 14.871</p> <p><b>Pass-through Entity</b> - N/A</p> <p>Finding Type - Noncompliance</p> <p><b>Criteria</b> - The Office of Inspector General (OIG) audited Lucas Metropolitan Housing Authority's (LMHA) Section 8 Housing Choice Voucher Program. An audit report from the OIG was issued on September 29, 2006 detailing the findings. The audit was to evaluate the effective operation by LMHA of its Section 8 Program.</p> <p><b>Condition</b> - The audit conclusion by the OIG was that LMHA failed to exercise proper supervision and oversight of unit inspections, household files, and housing assistance payments.</p> <p><b>Questioned Costs</b> - \$212,329</p> <p><b>Context</b> - The OIG inspected 62 units and found 49 units to have housing quality standards violations. Also, out of 67 files reviewed for proper documentation, 39 were found to be lacking in supporting documentation or appeared to have housing assistance payments incorrectly calculated.</p> <p><b>Cause and Effect</b> - LMHA has responded to the inquiry, provided documentation not previously supplied for existing policies and procedures, and adopted the policies and procedures that it did not already have in place to address the OIG findings. As required by the OIG report, LMHA has worked directly with the local HUD field office to clear all findings.</p> <p>Recommendation - LMHA needed to respond to report and consider potential repayment of amounts. In the course of the A-133 audit, no additional issues were noted. LMHA also did provide required documentation and adopt and revise policies as appropriate.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - LMHA responded to the audit report, worked with the local HUD field office, adopted and revised appropriate policies and procedures, and repaid the adjusted amount deemed due of \$92,025 of the original questioned costs. Findings and reimbursement amounts are considered resolved and paid in full. No further corrective action is necessary.</p>



**Mary Taylor, CPA**  
Auditor of State

**LUCAS METROPOLITAN HOUSING AUTHORITY**

**LUCAS 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  
NOVEMBER 8, 2007**