

Lake Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2009





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Lake Metropolitan Housing Authority  
189 First Street  
Painesville, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Lake Metropolitan Housing Authority, Lake County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lake Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 6, 2010

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LAKE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

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## Independent Auditors' Report

Board of Directors  
Lake Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lake Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

I was not able to obtain proper documentation to support the Authority capital assets as listed in the accompanying financial statements. As discussed in Note 11 to the financial statements, management did performed a physical inventory of property and equipment but did not performed reconciliation between the subsidiary ledger and the financial statements. The Authority does not maintain an adequate detailed capital asset listing to ascertain that the capital assets listed on the financial statements are fairly stated. I was not able to satisfy myself that the capital assets as listed on the financial statements are fairly presented by applying other auditing procedures.

In my opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence regarding the capital assets, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lake Metropolitan Housing Authority, Ohio, as of June 30, 2009, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Lake Metropolitan Housing Authority changed its capitalization policy in current fiscal year.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 15, 2010, on my consideration of the Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion 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 read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Lake Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the financial statements taken as a whole.

---

Salvatore Consiglio, CPA, Inc.

January 15, 2010



LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

UNAUDITED

The Lake 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 position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement (beginning on page 11).

**FINANCIAL HIGHLIGHTS**

- The Authority's net assets decreased by \$858,341 (or 10.57 %) during 2009. Net Assets were \$7,263,284 and \$8,121,625 for 2009 and 2008 respectively.
- Revenues increased by \$296,240 (or 2.71%) during 2009, and were \$11,218,091 and \$10,921,851 for 2009 and 2008 respectively.
- The total expenses of all Authority programs increased by \$990,557 (or 8.94%). Total expenses were \$12,076,432 and \$11,085,875 for 2009 and 2008 respectively.

**USING THIS ANNUAL REPORT**

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

<p><b>MD&amp;A</b> ~Management's Discussion and Analysis~</p>
<p><b>Basic Financial Statement</b> ~Authority Financial Statements ~ ~Notes to Financial Statements ~</p>
<p><b>Other Required Supplementary Information</b> ~Required Supplementary Information ~ (other than the MD&amp;A)</p>

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

UNAUDITED

**Authority Financial Statements**

The Authority 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 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 know 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 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 or Debt", or "Restricted Net Assets".

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

The focus of the Statement of Revenues, Expenses and Changes in Fund 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, non-capital financing activities, and from capital and related financing activities.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

UNAUDITED

**Fund Financial Statements**

The Authority consists of an exclusively Enterprise Fund. Enterprise fund utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

**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 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 Funds 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 and 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.

State and Local Program – Under its Local program, Lake MHA manages investments of locally controlled funding accumulated in past years until decisions are reached regarding how to use the funds to further the purposes of Lake MHA.

**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.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

UNAUDITED

**AUTHORITY STATEMENTS**

<b>Table 1 - Condensed Statement of Net Assets Compared to Prior Year</b>		
	<b><u>2009</u></b>	<b><u>2008</u></b>
Current and Other Assets	\$ 4,267,803	\$ 4,723,657
Capital Assets	3,841,711	4,249,165
<b>Total Assets</b>	<b>\$ 8,109,514</b>	<b>\$ 8,972,822</b>
Current Liabilities	\$ 727,239	\$ 713,888
Long-Term Liabilities	118,991	137,309
<b>Total Liabilities</b>	<b>846,230</b>	<b>851,197</b>
Net Assets:		
Investment in Capital Assets, net of Related Debt	3,841,711	4,249,165
Restricted Net Assets	866,361	1,341,635
Unrestricted Net Assets	2,555,212	2,530,825
<b>Total Net Assets</b>	<b>7,263,284</b>	<b>8,121,625</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,109,514</b>	<b>\$ 8,972,822</b>

**Major Factors Affecting the Statement of Net Assets**

The decrease in Lake MHA's current assets corresponds to the change in Restricted Net Assets. That change is an intended result of actions taken by Lake MHA management to increase the number of families provided rental assistance through the Section 8 program. In making the decision to increase the number of families provided the rental assistance, Lake MHA more fully utilized funding provided by HUD for that purpose to include such funding that had been provided in prior periods but not spent until the current period.

The change in Capital Assets in the current period was about 10%, a reflection that depreciation on assets held by Lake MHA exceeded additions to capital assets in the current period. And since the Net Assets component of Invested in Capital Assets, Net of Related Debt is the component of Net Assets that ties to Capital Assets balances, a similar reduction was reflected.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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**Table 2 - Statement of Revenue, Expenses & Changes in Net Assets**

	<u>2009</u>	<u>2008</u>
<b><u>Revenues</u></b>		
Tenant Revenues	\$ 492,491	\$ 429,495
Operating Subsidies & Grants	10,504,379	10,182,092
Capital Grants	30,257	77,871
Investment Income	119,575	195,902
Other Revenues	71,389	36,491
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>11,218,091</b>	<b>10,921,851</b>
	<hr/>	<hr/>
<b><u>Expenses</u></b>		
Administrative	1,496,009	1,561,199
Tenant Services	5,316	-
Utilities	229,663	233,964
Maintenance	726,227	354,737
Protective Services	47,997	22,158
General Expenses	90,812	46,494
Housing Assistance Payments	9,042,696	8,406,269
Depreciation	437,712	461,054
	<hr/>	<hr/>
<b>Total Expenses</b>	<b>12,076,432</b>	<b>11,085,875</b>
	<hr/>	<hr/>
<b>Net Increases (Decreases)</b>	<b>\$ (858,341)</b>	<b>\$ (164,024)</b>
	<hr/>	<hr/>

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

Revenues increased by \$296,240 (2.71%) and expenses increased by \$990,557 (8.94%) as compared to the prior year-end.

A 15% increase in Tenant Revenues over the previous period was realized. That increase resulted from a reduction in utility allowances used in the calculation of tenant rents for the Public Housing program. The formula HUD regulations set to be used to calculate tenant rents in that program calls for tenant families to pay 30% of the adjusted family

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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income for rent and utilities. Since utility rates in the area have fallen in recent months, tenants on average have to pay less for utilities and so more of the 30% of adjusted family incomes that tenants pay for rents and utilities under HUD's formula goes to paying rents.

The increase in Operating Subsidies and Grants, while not a relatively large increase (only about 3%) is about \$322,000. Increases were realized in Public Housing operating subsidies received and Capital Fund Program grants revenue, but the biggest increases were realized in the Section 8 Housing Choice Voucher Program subsidies received. That increase in the Section 8 Housing Choice Voucher program ties into the reduction of Current Assets and Restricted Net Assets referred to in the previous section. As the agency increased the number of families receiving rental assistance through the program, the agency in turn earned more Admin Fees paid by HUD to administer the program and HUD provided more funding for the agency to use to provide the rental assistance.

The reduction in Capital Grants is a reflection that less of the spending in the Capital Fund Program in the period was for capital improvements than in the previous year. The reduction in Interest Income is a reflection of the reduction in Current Assets referred to in the previous section. As the agency increased spending to more fully utilize the funding provided by HUD to pay rental assistance to families in the Section 8 Housing Choice Voucher program, the agency had less money on deposit on which to earn interest. The increase in Other Income is the result of insurance proceeds received in the period. The expenditures for the related repairs were made in the previous year.

Overall expenses increased almost 9%. The biggest increases were recorded in the areas of Maintenance and Housing Assistance Payments. The increase in Maintenance is a reflection of current period spending in the Capital Fund Program. As was mentioned in the previous paragraph, less Capital Fund Program spending in the period was for capital expenditures, but more spending of program funds were on non-capital expenditures. And the increase in Housing Assistance Payments is the increase in rental assistance payments made in the Housing Choice Voucher program that has been referred to in preceding sections of this document.

## CAPITAL ASSETS

### Capital Assets

As of yearend, the Authority had \$3,841,711 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$407,454 from the end of last year.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 3 - Condensed Statement of Changes in Capital Assets**

	<u>2009</u>	<u>2008</u>
Land and Land Rights	\$ 850,447	\$ 850,447
Building & Improvements	10,407,696	10,407,696
Equipment - Administrative	1,352,040	1,335,619
Equipment - Dwelling	243,494	259,914
Construction in Progress	766,533	736,276
Accumulated Depreciation	<u>(9,778,499)</u>	<u>(9,340,787)</u>
 Total	 <u>\$ 3,841,711</u>	 <u>\$ 4,249,165</u>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 24 of the notes.

**Table 4 - Condensed Statement of Changes in Capital Assets**

Beginning Balance, July 1, 2008	\$ 4,249,165
Current Year Deletions	-
Depreciation Expenses for the Year	(437,712)
Current Year Additions in Construction in Progress	30,257
Rounding	<u>1</u>
 Ending Balance, June 30, 2009	 <u>\$ 3,841,711</u>

The increase in accumulated depreciation from year-end 2008 to 2009 (\$437,712) outpaced the increase in construction in progress leading to a net reduction in Capital Assets of \$407,454. The entire increase in Construction in Progress of \$30,257 was made through spending in the Capital Fund Program.

**DEBT**

**Debt Outstanding**

As of year-end, the Authority had no debt outstanding.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

UNAUDITED

**ECONOMIC FACTORS**

Lake MHA is dependent on HUD subsidies to administer their programs and maintain their properties. Continuing drastic Federal budget cuts are a significant threat to the ongoing ability of the agency to operate their programs and maintain their facilities. Truly Lake MHA's situation may not be as drastic as other similar agencies thanks in part to cash assets accumulated in previous periods, but the threat of ongoing cuts is a real one to the agency especially as the agency's buildings age and require more physical maintenance and improvements.

**FINANCIAL CONTACT**

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Steven K. Knotts, Executive Director of the Lake Metropolitan Housing Authority, 189 First Street, Painesville, Ohio, 44077. The Lake Metropolitan Housing Authority telephone number is (440) 354-3347.



**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$1,580,962
Restricted cash and cash equivalents	1,406,388
Investments	1,080,854
Investments - Restricted	40,946
Receivables, net	136,678
Prepaid expenses and other assets	21,975
<b>Total current assets</b>	<b><u>4,267,803</u></b>

**Noncurrent assets**

Capital assets:	
Land	850,447
Building and equipment	12,003,230
Construction in Progress	766,533
Less accumulated depreciation	(9,778,499)
<b>Total noncurrent assets</b>	<b><u>3,841,711</u></b>
<b>Total assets</b>	<b><u><u>\$8,109,514</u></u></b>

**LIABILITIES**

**Current liabilities**

Accounts payable	\$37,599
Accrued liabilities	35,457
Intergovernmental payables	547,880
Tenant security deposits	40,946
Deferred revenue	65,357
<b>Total current liabilities</b>	<b><u>\$727,239</u></b>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

**Noncurrent liabilities**

Accrued compensated absences non-current	\$40,268
Noncurrent liabilities - other	78,723
	<b>118,991</b>
<b>Total noncurrent liabilities</b>	<b>118,991</b>
<b>Total liabilities</b>	<b>\$846,230</b>

**NET ASSETS**

Invested in capital assets, net of related debt	\$3,841,711
Restricted net assets	866,361
Unrestricted net assets	2,555,212
<b>Total net assets</b>	<b>\$7,263,284</b>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

***OPERATING REVENUES***

Tenant Revenue	\$492,491
Government operating grants	10,504,379
Other revenue	71,389
<b>Total operating revenues</b>	<b><u>11,068,259</u></b>

***OPERATING EXPENSES***

Administrative	1,496,009
Tenant services	5,316
Utilities	229,663
Maintenance	726,227
Protective services	47,997
General	90,812
Housing assistance payment	9,042,696
Depreciation	437,712
<b>Total operating expenses</b>	<b><u>12,076,432</u></b>
<b>Operating income (loss)</b>	<b><u>(1,008,173)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	119,575
<b>Total nonoperating revenues (expenses)</b>	<b><u>119,575</u></b>
Income (loss) before contributions and transfers	(888,598)
Capital grants	30,257
Change in net assets	(858,341)
Total net assets - beginning	8,121,625
<b>Total net assets - ending</b>	<b><u><u>\$7,263,284</u></u></b>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating grants received	\$10,306,622
Tenant revenue received	482,361
Other revenue received	74,904
General and administrative expenses paid	(2,515,191)
Housing assistance payments	<u>(9,042,696)</u>
Net cash provided (used) by operating activities	<u>(694,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	119,575
Transfer from investment account	<u>579,450</u>
Net cash provided (used) by investing activities	<u>699,025</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>	
Capital grant funds received	30,257
Property and equipment purchased	<u>(30,257)</u>
Net cash provided (used) by capital and related activities	<u>0</u>
Net increase (decrease) in cash	5,025
Cash and cash equivalents - Beginning of year	<u>2,982,325</u>
Cash and cash equivalents - End of year	<u><u>\$2,987,350</u></u>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$1,008,173)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	437,712
- (Increases) Decreases in Accounts Receivable	(130,908)
- (Increases) Decreases in Prepaid Assets	12,337
- Increases (Decreases) in Accounts Payable	28,663
- Increases (Decreases) in Accrued Expenses Payable	(32,421)
- Increases (Decreases) in Accounts Payable HUD	26,885
- Increases (Decreases) in Other Noncurrent Liabilities	(56,367)
- Increases (Decreases) in Non-current Compensated Absence	38,049
- Increases (Decreases) in Deferred Revenue	(12,781)
- Increases (Decreases) in Tenant Security Deposits	3,004
Net cash provided by operating activities	(\$694,000)

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The financial statements of the Lake Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**Reporting Entity**

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

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

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

**Basis of Presentation**

The Authority's basic financial statements consist of a statement of net assets, statement of revenue, expenses and changes net assets, and a statement of cash flows.

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Description of programs**

The following are the various programs which are included in the single enterprise fund:

**A. Public Housing Program**

The public housing program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

**B. Capital Fund Program**

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development of housing.



LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

**D. Public Housing Development Program**

The Authority administers grant funds received from HUD for future development of housing. The grant funds received in prior years were used to purchase vacant lots. The current activity in this fund represents the upkeep cost of the lots.

**E. State and Local**

The State and Local fund is setup to separate Lake MHA management funds earned in prior years from the HUD funded programs. The only activities, during the fiscal year, in this fund are interest earned on this money.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2009 totaled \$119,575.

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$5,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings & improvements	15-40 years
Furniture, fixtures & equipment	3-10 years
Vehicles	5 years

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

**Capital Contributions**

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

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

**Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of services are included in the calculation of the compensated absence accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation is attributable to services already rendered and is not contingent on a specific event that is outside the control of the employer and employee.

LAKE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009  
 (CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

The following is a summary of changes in compensated absence for the year-ending June 30, 2009:

<b>Description</b>	<b>Balance 06/30/08</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance 06/30/09</b>
Compensated Absence Payable	\$28,761	\$35,153	(\$23,646)	\$40,268
<b>Total</b>	<b>\$28,761</b>	<b>\$35,153</b>	<b>(\$23,646)</b>	<b>\$40,268</b>

**Budgetary Accounting**

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

**Estimates**

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

**Income Taxes**

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

**NOTE 2: CASH AND INVESTMENTS**

State statutes classify monies held by the Authority into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority treasury,

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS** (Continued)

in commercial accounts payable or withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits 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 which 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 Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by Authority or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end June 30, 2009, the carrying amount of the Authority's deposits totaled \$4,109,150 and its bank balance was \$4,237,356. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2009, \$3,987,356 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS** (Continued)

political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

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

The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value.

*Interest Rate Risk* – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 5 years.

*Credit Risk* – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

*Concentration of Credit Risk* – The Authority places no limit on the amount that may be invested with any one issuer.

*Foreign Currency Risk* - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

A reconciliation of cash and investments as shown on the statement of net assets follows:

	<b>Cash and Cash Equivalent</b>	<b>Investments</b>
Per Statement of Net Assets	\$2,862,080	\$1,247,070
Certificate of Deposits	1,247,070	(1,247,070)
	\$4,109,150	\$0
Total Per GASB Statement No. 3		

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS** (Continued)

Restricted Cash and Investments

Restricted cash and investment balance as of June 30, 2009 of \$1,447,334 represents the following:

Tenant Security Deposit	\$40,946
Cash on hand to be used for Capital Improvements or returned to HUD	461,304
Cash on hand to be used for housing assistance	866,361
Family Self-Sufficiency Escrows	<u>78,723</u>
Total Restricted Cash	<u>\$1,447,334</u>

**NOTE 3: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2009 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes:

	<b>Balance 06/30/08</b>	<b>Adjust / Additions</b>	<b>Adjust / Deletion</b>	<b>Balance 06/30/09</b>
<b>Capital Assets Not Depreciated:</b>				
Land	\$850,447	\$0	\$0	\$850,447
Construction in Progress	736,276	30,257	0	766,533
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,586,723</b>	<b>\$30,257</b>	<b>0</b>	<b>1,616,980</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Building Improv.	10,407,696	0	0	10,407,696
Furnt, Mach. & Equip - Admin	1,595,533	1	0	1,595,534
<b>Total Capital Assets Being Depreciated</b>	<b>12,003,229</b>	<b>1</b>	<b>0</b>	<b>12,003,230</b>
<b>Accumulated Depreciated:</b>				
Buildings and Building Improv.	(7,745,254)	(437,712)	0	(8,182,966)
Furnt, Mach. & Equip - Admin	(1,595,533)	0	0	(1,595,533)
<b>Total Accumulated Depreciated</b>	<b>(9,340,787)</b>	<b>(437,712)</b>	<b>0</b>	<b>(9,778,499)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,662,442</b>	<b>(437,711)</b>	<b>0</b>	<b>2,224,731</b>
<b>Total Capital Assets, Net</b>	<b>\$4,249,165</b>	<b>(\$407,454)</b>	<b>\$0</b>	<b>\$3,841,711</b>

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM** (Continued)

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations and the employer contribution rate was 14.0 percent. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2009, 2008, and 2007 amounted to \$116,731, \$112,989, and \$107,812. These costs have been charged to the employee fringe benefit account. All required contributions have been paid.

**NOTE 6: POST-EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post



LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 6: POST-EMPLOYMENT BENEFITS** (Continued)

retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2009 was 5.0 percent, which amounted to \$41,690. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2007. 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 2007 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,076. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

**NOTE 7: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 8: TENANT ACCOUNT RECEIVABLES**

As of June 30, 2009, tenant account receivable is shown net of an allowance for doubtful accounts of \$10,000.

**NOTE 9: ECONOMIC DEPENDENCY**

The Section 8 New Construction, the Low Rent Public Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD. These programs operate at a loss prior to receiving the contributions and grants.

**NOTE 10: CONTINGENCIES**

**Litigations and Claims**

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2009 the PHA was involved in such matter. While the outcome of this matter cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

**Inspector General Audit**

The Authority is currently under investigation by the Inspector General Office (IG). As of the date of this audit report, the IG has completed two phases of its investigation and is currently working on the third phase.

The first phase of the IG audit pertained to a review of the tenant files to determine if the Authority properly administered the Housing Choice Voucher Program (HCV) housing assistance payment calculation in accordance with HUD regulations. The IG issued its report on August 14, 2009 with a recommendation that the Director of HUD's Cleveland Office of Public Housing require that the Authority provide documentation or reimburse its program for unsupported payments cited in the report. The Authority has provided documentation to HUD's Cleveland Office for the majority of the items cited by the IG and is in the process of negotiating with HUD a resolution for remaining items noted in the report.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 10: CONTINGENCIES** (Continued)

The second phase of the IG audit was to determine whether the Authority administer its program in accordance with HUD requirement and its administrative plan regarding the enforcement of housing quality standards. The IG issued its report on October 28, 2009. The report stated that the Authority program administration regarding housing unit conditions was inadequate. The Authority disagrees with the IG findings as is in the process of working with HUD Cleveland to resolve this issue.

As of the date of this report, the IG is in the process of conducting the third phase of its investigation. During this phase, the IG is auditing the Family Self Sufficiency Program. As of the date of this report, the investigation is ongoing.

**NOTE 11: CAPITAL ASSETS**

A physical inventory of the Authority property and equipment owned was performed in prior fiscal year. However, the financial statements were not reconciled with the actual inventory records. The depreciation schedule is not in sufficient detail to determine if the assets are still owned and in working condition or if they were disposed off in prior fiscal years.

Accounting principles generally accepted in the United State of America requires that accounting records be maintain to properly support the amounts listed on the financial statements.

Lake Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Section 8 N/C	Housing Choice Vouchers	State/ Local	Development	COCC	ELIM	Total
111 Cash - Unrestricted	\$ 19,333	\$ 294,050	\$ 1,102,706	\$ 164,873	\$ -	\$ -	\$ -	\$ 1,580,962
113 Cash - Other Restricted	\$ -	\$ -	\$ 945,084	\$ -	\$ 461,304	\$ -	\$ -	\$ 1,406,388
100 Total Cash	\$ 19,333	\$ 294,050	\$ 2,047,790	\$ 164,873	\$ 461,304	\$ -	\$ -	\$ 2,987,350
122 Accounts Receivable - HUD Other Projects	\$ 121,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,462
125 Accounts Receivable - Miscellaneous	\$ 172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172
126 Accounts Receivable - Tenants	\$ 23,811	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,811
126.1 Allowance for Doubtful Accounts - Tenants	\$ (10,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,000)
128 Fraud Recovery	\$ 1,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,233
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 136,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,678
131 Investments - Unrestricted	\$ 146,127	\$ -	\$ 841,540	\$ 93,187	\$ -	\$ -	\$ -	\$ 1,080,854
132 Investments - Restricted	\$ 40,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,946
142 Prepaid Expenses and Other Assets	\$ 16,921	\$ -	\$ 5,054	\$ -	\$ -	\$ -	\$ -	\$ 21,975
144 Inter Program Due From	\$ 474,041	\$ 41,190	\$ -	\$ -	\$ -	\$ -	\$ (515,231)	\$ -
150 Total Current Assets	\$ 834,046	\$ 335,240	\$ 2,894,384	\$ 258,060	\$ 461,304	\$ -	\$ (515,231)	\$ 4,267,803
161 Land	\$ 692,731	\$ -	\$ -	\$ -	\$ 157,716	\$ -	\$ -	\$ 850,447
162 Buildings	\$ 10,386,044	\$ -	\$ 21,652	\$ -	\$ -	\$ -	\$ -	\$ 10,407,696
163 Furniture, Equipment & Machinery - Dwellings	\$ 243,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,494
164 Furniture, Equipment & Machinery - Administration	\$ 1,130,831	\$ 51,044	\$ 170,165	\$ -	\$ -	\$ -	\$ -	\$ 1,352,040
166 Accumulated Depreciation	\$ (9,550,795)	\$ (51,044)	\$ (176,660)	\$ -	\$ -	\$ -	\$ -	\$ (9,778,499)
167 Construction in Progress	\$ 766,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 766,533

Lake Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Section 8 N/C	Housing Choice Vouchers	State/ Local	Development	COCC	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 3,668,838	\$ -	\$ 15,157	\$ -	\$ 157,716	\$ -	\$ -	\$ 3,841,711
190 Total Assets	\$ 4,502,884	\$ 335,240	\$ 2,909,541	\$ 258,060	\$ 619,020	\$ -	\$ (515,231)	\$ 8,109,514
312 Accounts Payable <= 90 Days	\$ 18,360	\$ -	\$ 19,239	\$ -	\$ -	\$ -	\$ -	\$ 37,599
321 Accrued Wage/Payroll Taxes Payable	\$ 35,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,457
331 Accounts Payable - HUD PHA Programs	\$ -	\$ -	\$ -	\$ -	\$ 461,304	\$ -	\$ -	\$ 461,304
333 Accounts Payable - Other Government	\$ 86,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,576
341 Tenant Security Deposits	\$ 40,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,946
342 Deferred Revenues	\$ 61,261	\$ -	\$ 4,096	\$ -	\$ -	\$ -	\$ -	\$ 65,357
347 Inter Program - Due To	\$ -	\$ -	\$ 515,231	\$ -	\$ -	\$ -	\$ (515,231)	\$ -
310 Total Current Liabilities	\$ 242,600	\$ -	\$ 538,566	\$ -	\$ 461,304	\$ -	\$ (515,231)	\$ 727,239
353 Non-current Liabilities - Other	\$ -	\$ -	\$ 78,723	\$ -	\$ -	\$ -	\$ -	\$ 78,723
354 Accrued Compensated Absences - Non Current	\$ 15,592	\$ -	\$ 24,676	\$ -	\$ -	\$ -	\$ -	\$ 40,268
350 Total Non-Current Liabilities	\$ 15,592	\$ -	\$ 103,399	\$ -	\$ -	\$ -	\$ -	\$ 118,991
300 Total Liabilities	\$ 258,192	\$ -	\$ 641,965	\$ -	\$ 461,304	\$ -	\$ (515,231)	\$ 846,230
508.1 Invested In Capital Assets, Net of Related Debt	\$ 3,668,838	\$ -	\$ 15,157	\$ -	\$ 157,716	\$ -	\$ -	\$ 3,841,711
511.1 Restricted Net Assets	\$ -	\$ -	\$ 866,361	\$ -	\$ -	\$ -	\$ -	\$ 866,361
512.1 Unrestricted Net Assets	\$ 575,854	\$ 335,240	\$ 1,386,058	\$ 258,060	\$ -	\$ -	\$ -	\$ 2,555,212
513 Total Equity/Net Assets	\$ 4,244,692	\$ 335,240	\$ 2,267,576	\$ 258,060	\$ 157,716	\$ -	\$ -	\$ 7,263,284

Lake Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Section 8 N/C	Housing Choice Vouchers	State/ Local	Development	COCC	ELIM	Total
600 Total Liabilities and Equity/Net Assets	\$ 4,502,884	\$ 335,240	\$ 2,909,541	\$ 258,060	\$ 619,020	\$ -	\$ (515,231)	\$ 8,109,514
70300 Net Tenant Rental Revenue	\$ 472,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 472,247
70400 Tenant Revenue - Other	\$ 20,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,244
70500 Total Tenant Revenue	\$ 492,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,491
70600 HUD PHA Operating Grants	\$ 1,053,163	\$ -	\$ 9,451,216	\$ -	\$ -	\$ -	\$ -	\$ 10,504,379
70610 Capital Grants	\$ 30,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,257
71100 Investment Income - Unrestricted	\$ 5,372	\$ 3,740	\$ 56,203	\$ 11,234	\$ -	\$ -	\$ -	\$ 76,549
71400 Fraud Recovery	\$ -	\$ -	\$ 15,426	\$ -	\$ -	\$ -	\$ -	\$ 15,426
71500 Other Revenue	\$ 55,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,963
72000 Investment Income - Restricted	\$ 1	\$ -	\$ 43,025	\$ -	\$ -	\$ -	\$ -	\$ 43,026
70000 Total Revenue	\$ 1,637,247	\$ 3,740	\$ 9,565,870	\$ 11,234	\$ -	\$ -	\$ -	\$ 11,218,091
91100 Administrative Salaries	\$ 134,088	\$ -	\$ 559,975	\$ -	\$ -	\$ -	\$ -	\$ 694,063
91200 Auditing Fees	\$ 4,321	\$ -	\$ 5,274	\$ -	\$ -	\$ -	\$ -	\$ 9,595
91500 Employee Benefit contributions - Administrative	\$ 51,085	\$ -	\$ 242,724	\$ -	\$ -	\$ -	\$ -	\$ 293,809
91700 Legal Expense	\$ 9,128	\$ -	\$ 14,934	\$ -	\$ -	\$ -	\$ -	\$ 24,062
91800 Travel	\$ 15,108	\$ -	\$ 70,738	\$ -	\$ -	\$ -	\$ -	\$ 85,846
91900 Other	\$ 170,621	\$ 683	\$ 217,330	\$ -	\$ -	\$ -	\$ -	\$ 388,634
91000 Total Operating - Administrative	\$ 384,351	\$ 683	\$ 1,110,975	\$ -	\$ -	\$ -	\$ -	\$ 1,496,009
92400 Tenant Services - Other	\$ 5,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,316
92500 Total Tenant Services	\$ 5,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,316
93100 Water	\$ 48,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,228
93200 Electricity	\$ 128,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,197

Lake Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Section 8 N/C	Housing Choice Vouchers	State/ Local	Development	COCC	ELIM	Total
93300 Gas	\$ 45,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,400
93800 Other Utilities Expense	\$ -	\$ -	\$ 7,838	\$ -	\$ -	\$ -	\$ -	\$ 7,838
93000 Total Utilities	\$ 221,825	\$ -	\$ 7,838	\$ -	\$ -	\$ -	\$ -	\$ 229,663
94100 Ordinary Maintenance and Operations - Labor	\$ 224,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,237
94200 Ordinary Maintenance and Operations - Materials and Other	\$ 69,295	\$ -	\$ 3,948	\$ -	\$ -	\$ -	\$ -	\$ 73,243
94300 Ordinary Maintenance and Operations Contracts	\$ 341,370	\$ -	\$ 24,781	\$ -	\$ -	\$ -	\$ -	\$ 366,151
94500 Employee Benefit Contributions - Ordinary Maintenance	\$ 62,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,596
94000 Total Maintenance	\$ 697,498	\$ -	\$ 28,729	\$ -	\$ -	\$ -	\$ -	\$ 726,227
95200 Protective Services - Other Contract Costs	\$ 47,703	\$ -	\$ 294	\$ -	\$ -	\$ -	\$ -	\$ 47,997
95000 Total Protective Services	\$ 47,703	\$ -	\$ 294	\$ -	\$ -	\$ -	\$ -	\$ 47,997
96140 All Other Insurance	\$ 42,930	\$ -	\$ 11,284	\$ -	\$ -	\$ -	\$ -	\$ 54,214
96100 Total insurance Premiums	\$ 42,930	\$ -	\$ 11,284	\$ -	\$ -	\$ -	\$ -	\$ 54,214
96200 Other General Expenses	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48
96210 Compensated Absences	\$ 5,466	\$ -	\$ 6,042	\$ -	\$ -	\$ -	\$ -	\$ 11,508
96300 Payments in Lieu of Taxes	\$ 25,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,042
96000 Total Other General Expenses	\$ 30,556	\$ -	\$ 6,042	\$ -	\$ -	\$ -	\$ -	\$ 36,598
96900 Total Operating Expenses	\$ 1,430,179	\$ 683	\$ 1,165,162	\$ -	\$ -	\$ -	\$ -	\$ 2,596,024

Lake Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Section 8 N/C	Housing Choice Vouchers	State/ Local	Development	COCC	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$ 207,068	\$ 3,057	\$ 8,400,708	\$ 11,234	\$ -	\$ -	\$ -	\$ 8,622,067
97300 Housing Assistance Payments	\$ -	\$ -	\$ 9,042,696	\$ -	\$ -	\$ -	\$ -	\$ 9,042,696
97400 Depreciation Expense	\$ 436,269	\$ -	\$ 1,443	\$ -	\$ -	\$ -	\$ -	\$ 437,712
90000 Total Expenses	\$ 1,866,448	\$ 683	\$ 10,209,301	\$ -	\$ -	\$ -	\$ -	\$ 12,076,432
10010 Operating Transfer In	\$ 58,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,728
10020 Operating transfer Out	\$ (58,728)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (58,728)
10100 Total Other financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (229,201)	\$ 3,057	\$ (643,431)	\$ 11,234	\$ -	\$ -	\$ -	\$ (858,341)
11030 Beginning Equity	\$ 4,473,893	\$ 332,183	\$ 2,911,007	\$ 246,826	\$ 157,716	\$ -	\$ -	\$ 8,121,625
Ending Equity	\$ 4,244,692	\$ 335,240	\$ 2,267,576	\$ 258,060	\$ 157,716	\$ -	\$ -	\$ 7,263,284
11170 Administrative Fee Equity	\$ -	\$ -	\$ 1,424,706	\$ -	\$ -	\$ -	\$ -	\$ 1,424,706
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ 866,361	\$ -	\$ -	\$ -	\$ -	\$ 866,361
11190 Unit Months Available	2,880	-	17,088	-	-	-	-	19,968
11210 Number of Unit Months Leased	2,749	-	16,526	-	-	-	-	19,275
11270 Excess Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11610 Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620 Building Purchases	\$ 30,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,257
11630 Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



Lake Metropolitan Housing Authority  
 FDS Schedule Submitted to REAC  
 Proprietary Fund Type - Enterprise Fund  
 June 30, 2009

	Project Total	Section 8 N/C	Housing Choice Vouchers	State/ Local	Development	COCC	ELIM	Total
11640 Furniture & Equipment - Administrative Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11650 Leasehold Improvements Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11660 Infrastructure Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13510 CFFP Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13901 Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Lake Metropolitan Housing Authority  
 Schedule of Expenditures of Federal Award  
 For the Year Ended June 30, 2009

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$651,555
Housing Choice Vouchers	14.871	9,451,216
Public Housing Capital Fund Program	14.872	<u>431,865</u>
Total Expenditure of Federal Award		<u><u>\$10,534,636</u></u>



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**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**

Board of Directors  
Lake Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the Lake Metropolitan Housing Authority basic financial statements and have issued my report thereon dated January 15, 2010. I qualified my report on the business-type activities because management has not fully resolved a finding over the capital assets that have been repeated for several audits. The Authority does not maintain an adequate detailed capital asset listing to ascertain that the capital assets listed on the financial statements are fairly stated and exist. Accounting principles generally accepted in the United State of America requires that accounting records be maintain to properly support the amounts listed on the financial statements. I conducted my 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 my audit, I considered Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider significant deficiencies.

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 authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

I consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2009-LMHA-1 through 2009-LMHA-3.

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 authority's internal control.

My consideration of 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. However, of the significant deficiencies described above, I consider 2009-LMHA-1 and 2009-LMHA-2 to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Lake Metropolitan Housing Authority responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit Lake Metropolitan Housing Authority response and, accordingly, I express no opinion on it.

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

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Salvatore Consiglio, CPA, Inc.  
January 15, 2010



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

Board of Directors  
Lake Metropolitan Housing Authority

**Compliance**

I have audited the compliance of the Lake Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Lake Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Lake Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

As described in item LMHA-FED-2009-1 in the accompanying schedule of findings and questioned costs, Lake Metropolitan Housing Authority, Ohio did not comply with requirements regarding eligibility that are applicable to its Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for Lake Metropolitan Housing Authority, Ohio to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Lake Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The management of Lake Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Lake Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in internal control over compliance 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 of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

My consideration of 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 the Authority's internal control that might be significant deficiencies or material weaknesses as defined below. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses as defined above.

Lake Metropolitan Housing Authority response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Lake Metropolitan Housing Authority response and, accordingly, I express no opinion on it.

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

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Salvatore Consiglio, CPA, Inc.  
January 15, 2010

Lake Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS	
Type of Financial Statement Opinion	Qualified
Were there any significant deficiency reported as material weakness at the financial statement level (GAGAS)?	Yes
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any significant deficiency reported for any major federal programs as material weakness?	No
Were there any other significant deficiency reported for the major federal programs?	No
Type of Major Programs' Compliance Opinion	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.850, and 14.871 Low Rent Public Housing, and Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$316,039 Type B: All Others
Low Risk Auditee?	No

Lake Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2009

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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FINDING NUMBER	2009-LMHA -1
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**Material Significant Deficiency - Capital Assets**

In previous fiscal year, the PHA conducted the physical inventory of all assets; however, the reconciliation between the physical inventory, the financial statements and accounting records still has not been performed. The depreciation schedule is not maintained in adequate detailed to identify all assets owned. The failure to maintain an accurate capital asset listing did not enable auditors to obtain sufficient evidential matter regarding the amounts reported for capital assets on the Statement of Net Assets and depreciation expense on the Statements of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds. In addition, I was not able to satisfy myself that the capital assets as listed on the financial statements are fairly presented by applying other auditing procedures.

This condition has been noted in prior audit with a recommendation that the Authority performs a physical inventory of all items it owns and reconciles the inventory to the depreciation schedule. This finding is also required to be reported for major federal program.

**Recommendation:**

The Authority needs to perform the reconciliation of the financial statements with the fiscal inventory to ascertain that the capital assets are fairly stated in the financial statements. The physical inventory needs to be performed annual to ascertain that assets are properly safeguarded.

**Corrective Action Plan:**

This finding has not been resolved due to turn over in the fiscal department. Corrective action has commenced in that the former manager of the financial function has been terminated and a new manager of the financial function is in place. The Authority is confident that this item will be corrected during the current FY.

Contact Person: Finance Manager  
Resolution Date: December 31, 2010



Lake Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2009

FINDING NUMBER	2009-LMHA -2
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**Material Significant Deficiency – Financial Statements**

Sound financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements is complete, accurate and ready for the annual audit.

Shortly after the start of the fieldwork of the audit, the Finance Manager was terminated from her position. The Authority contracted with a Fee Accountant to assist the agency with the required financial reporting and to provide assist with the audit. It was then discovered that the accounting records were not current and up to date through the end of the fiscal year. In particular, it was discovered that one bank account had not been reconciled for several months and related transactions for those months had not been recorded in the accounting records. The Fee Accountant posted all unrecorded transactions and made all necessary adjustments to provide financial statements to be audited.

**Recommendation:**

To ensure the housing authority has a sound fiscal controls, cross training of staff must be required.

**Corrective Action Plan:**

Corrective action has commenced in that the former manager of the financial function has been terminated and a new manager of the financial function is in place. Accounting records are being brought up to date, bank accounts are being reconciled, and transactions are being posted to the general ledger.

Contact Person: Finance Manager  
Resolution Date: Completed

FINDING NUMBER	2009-LMHA-3
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**Significant Deficiency – Expenditure (Supporting Documentation)**

As part of my audit procedures, I tested expenditures by selecting a random sample of disbursements issued during the audit period and also by analyzing certain expense accounts. The result of my procedures revealed that some transactions were not properly supported by third party documentations.

Lake Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2009

Once this was brought to management attention, attempt was made to contact the vendors to try to obtain copy of vendor invoices. For all items that documentation was not obtained, the federal programs that were affected were reimbursed from the Authority unrestricted funds.

**Recommendation:**

Payment should only be made upon presentation of proper supporting documentation. Management should implement proper controls to ascertain that payments are only made upon presentation of proper supporting documentation.

**Corrective Action Plan:**

Corrective action has already been taken. A change in the management of the financial function has been made and the new manager of that function is well aware of the need to maintain proper documentation to support all expenditures.

Contact Person: Finance Manager  
Resolution Date: Completed

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

FINDING NUMBER	LMHA-FED-2009-1
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**Compliance Finding – Eligibility (Supporting Documentation)**

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

The Authority is currently under investigation by the Inspector General Office (IG). As of the date of this audit report, the IG has completed two phases of its investigation and is currently working on the third phase.

The first phase of the IG audit pertained to a review of the tenant files to determine if the Authority properly administered the Housing Choice Voucher Program (HCV) housing assistance payment calculation in accordance with HUD regulations. The IG issued its report on August 14, 2009 and made a recommendation that the Director of HUD's

Lake Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2009

Cleveland Office of Public Housing requires the Authority to provide documentation or reimburse its program, from nonfederal funds, for the unsupported payments cited in the audit report. The Authority obtained documentation for the majority of the files questioned by the IG. These actions resulted in a reduction of the IG finding to \$12,000. The Authority is still in the process of working with HUD Cleveland for the resolution of this amount.

The second phase of the IG audit was to determine whether the Authority administer its program in accordance with HUD requirement and its administrative plan regarding the enforcement of housing quality standards. The IG issued its report on October 28, 2009. The report stated that the Authority program administration regarding housing unit conditions was inadequate. The Authority is in the process of working with HUD Cleveland to resolve this issue.

As of the date of this report, the IG is in the process of conducting the third phase of its investigation. During this phase, the IG is auditing the Family Self Sufficiency Program. As of the date of this report, the investigation is ongoing.

**Recommendation:**

The Authority must continue to work with HUD Cleveland to resolve the above findings noted by the IG.

**Corrective Action Plan:**

Based on the sample pulled for the audit period, Authority error rate rests solidly at 1.6%, a dramatic improvement over the error rates of years past. This was accomplished through a vigorous internal Quality Control program which is ongoing. This information shows that the Authority Management, and specifically the HCV Program, has spent a great deal of time and energy, in partnership with the OIG and the HUD Field Office, in working towards complete compliance, and will continue to do so through 2010 and beyond, if necessary.

Contact Person:       Executive Director  
Resolution Date:       On going

Lake Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2009

The following are the status of the June 30, 2008 audit findings.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2008-LMHA -1	The Authority does not maintain an adequate detailed capital asset listing	No	<p>Not Corrected – Finding repeated in current audit report. The Agency has stated that a new tracking system has been put in place. However, no documentation was provided to resolve this finding.</p> <p>Management explained that corrective action has commenced in that the former manager of the financial function has been terminated and a new manager of the financial function is in place. The Authority is confident that this item will be corrected during the current FY.</p>
2008-LMHA -2	Financial Statements	No	<p>Not Corrected – Financial statements were not prepared and available by the beginning of the audit. The Authority experience several turn-over in the fiscal department. A Fee Accountant was hired to compete the general ledger work and prepare the financial statements after the fieldwork had begun.</p> <p>Management explained that corrective action has commenced in that the former manager of the financial function has been terminated and a new manager of the financial function is in place. The Authority is confident that this item will be corrected during the current FY.</p>
2008-LMHA-3	Restricted Cash	Yes	Corrected – The Authority provided a written plan to HUD for use the funds.
LMHA-FED-2008-1	Eligibility – supporting documentation	Yes	Corrected – No material items noted during the review of tenant files.
LMHA-FED-2008-2	SEMAP	Yes	Corrected – The Authority contracted with a consultant to perform a quarterly review of its SEMAP.



**Mary Taylor, CPA**  
Auditor of State

**LAKE METROPOLITAN HOUSING AUTHORITY**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 6, 2010**