

Lucas Metropolitan Housing Authority

**Financial Report
with Supplemental Information
December 31, 2010**



Dave Yost • Auditor of State

Board of Commissioners
Lucas Metropolitan Housing Authority
435 Nebraska Avenue
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 January 1, 2010 through December 31, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 22, 2012

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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 accompanying basic financial statements of Lucas Metropolitan Housing Authority (the "Authority") as of December 31, 2010 and 2009 and for the years then ended. 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 audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lucas Metropolitan Housing Authority as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information, including the financial data schedules, the schedule of units under management, the actual cost certificates and final accepted budgets (HUD-52837 and HUD-52839), and the schedule of expenditures of federal awards and related statements, is presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) and 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 audits 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 a report dated July 20, 2011 on our consideration of Lucas Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of 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 and 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 read in conjunction with this report in considering the results of our audits.

Plante & Moran, PLLC

July 20, 2011

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 intended to (a) assist readers in focusing on the 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.

The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. Please read this in conjunction with the accompanying financial statements and notes to the financial statements for better comprehension.

LMHA offers this narrative overview of its financial activities for the year ended December 31, 2010.

MISSION STATEMENT

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.

THE AUTHORITY'S PROGRAMS

The financial statements of Lucas Metropolitan Housing Authority utilize the Enterprise Fund method on a full accrual basis of accounting. The Enterprise Fund method is similar to accounting used in the private sector. The Department of Housing and Urban Development (HUD) requires many of the program funds maintained by LMHA, while others are segregated to enhance accountability and control.

The Authority's significant programs are described below. Within these programs, the Section 8 housing choice voucher program and the Capital Fund grants are deemed to be major programs in 2010.

- **Low-income Public Housing Program** - Under this program, LMHA rents units that it owns to low-income households throughout Lucas County. This program operates under an annual contributions contract (ACC) with HUD, which provides an operating subsidy that enables the Authority to provide rental housing at a lower cost, based on 30 percent of household income.

LMHA currently owns and operates 3,100 rental units subsidized in this program. Per HUD requirements, these units are grouped into asset management projects, based on size and geographic location, that are operated by site-based LMHA property managers.

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)

- **Section 8 Program** - Under this program, LMHA administers contracts with independent landlords that own and lease units within the community. Through a separate ACC with HUD, LMHA receives a subsidy from HUD that allows the Authority to structure a lease between the landlord and the renter that sets the rent at 30 percent of the household income. LMHA then subsidizes the family's rent through a housing assistance payment made to the landlord. Some of these contracts assist disabled veterans, while others may allow the residents to become homeowners, as a result of their participation in the program. LMHA currently administers 3,912 Section 8 Program units.
- **Capital Fund Grants** - LMHA receives additional funding from HUD for physical and management improvements to its units within the low-income public housing program, under the same annual contributions contract. This program provides funding for large-scale improvements or unplanned emergencies that are not covered by the operating subsidy amounts previously mentioned.
- **Capital Fund Recovery Grant** - Under the American Recovery and Reinvestment Act (ARRA) of 2009, funds were awarded to governmental entities throughout the country as part of an economic stimulus program. LMHA was awarded funding for major improvements through this program, which allowed for needed safety upgrades and improvements to our low-income public housing sites.

In addition to the programs outlined above, LMHA also maintains the following program areas, deemed to be nonmajor federal programs, or other nonfederal programs:

- **Resident Service Grants** - Funding through this program is awarded by HUD to provide additional assistance to residents with special needs, or to provide community outreach connections that provide such assistance, for improved quality of life within the low-income public housing community.
- **Shelter Plus Care Grant** - Funding through this program is awarded by HUD to assist community organizations that provide transitional housing for chronically homeless individuals with disabilities or special needs. LMHA administers the program for a sponsored service provider, assisting with the cost of housing, thereby allowing them to provide supportive services by coordinating their efforts with other organizations for the homeless, to improve their quality of life.
- **Non-HUD/Business Activities Programs** - This area includes programs such as: contract administration, a consortium with other housing authorities in Ohio to manage site-based properties for HUD; the Veterans Fund, a discretionary pool of funding from a variety of activities; the Homeownership Funds, proceeds from the old Turnkey III program, utilized to provide opportunities for low-income families to become homeowners; and the central office cost center, the management entity related to the operation of the Authority created through the implementation of the asset management program.

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)

- **Component Unit** - Through the Westridge Apartments Development Corporation, LMHA owns and operates a 190-unit apartment complex as a component unit of the Authority. This is a market rate rental site, with 25 percent of its units leased to lower-income residents.

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 agency.

The financial statements include a statement of net assets, similar to a balance sheet which reports net assets invested in capital assets (net of related debt and depreciation); restricted net assets; and unrestricted net assets.

Also included in the financial statements is a statement of revenue, expenses, and changes in net assets, similar to an income statement, which includes both operating and nonoperating revenue and expenses. This statement summarizes revenue and expenses by category, such as administrative, program, maintenance, or utility costs, to name a few. The focus of this statement is the change in net assets, which is similar to net income or loss.

Lastly, the statement of cash flows is presented. This report discloses the net cash provided by or used in operating, investing capital, and related financing activities for the year.

Other additional information is presented to assist the reader in understanding these financial statements. This additional information will allow the user to address relevant questions, broaden the basis for comparison, and enhance the Authority's accountability.

ACTIVITY HIGHLIGHTS

LMHA converted its internal accounting systems in 2008 to a structure that is compliant with HUD's asset management accounting and budgeting requirements. Additional updates were made to the software and internal procedures in 2010 to improve and enhance required financial monitoring and reporting, and provide management offices with more access to tenant information.

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)

FINANCIAL HIGHLIGHTS

Some key highlights of the 2010 financial reports include:

- Total assets exceeded total liabilities by \$69,121,283 at December 31, 2010. This is an increase of \$6,633,879 from the prior year, as a result of an overall gain from operations.
- Operating revenue increased from the prior year by \$2,503,504 (5.7 percent). Revenue was \$46,085,519 and \$43,582,015 for the years ended December 31, 2010 and 2009, respectively. Increases in HUD operating subsidy for the public housing program and housing assistance payments from the Section 8 programs are the major contributing factors.
- Operating expenses were comparable to the prior year, increasing by \$308,695 (0.6 percent) with \$48,855,428 in fiscal year 2010 and \$48,546,733 in fiscal year 2009. Increases in protective services, administrative, and maintenance costs contributed to the overall rise in costs, but were offset by reduced insurance and depreciation expense, keeping the increase in overall costs to less than 1 percent.

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)

The following statements are a condensed version of the full financial statement reports for the purpose of discussion and analysis.

Comparative Summary Statement of Net Assets

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets			
Current and other assets	\$ 22,786,591	\$ 20,339,530	\$ 18,932,037
Noncurrent assets	<u>56,182,887</u>	<u>54,100,114</u>	<u>56,970,561</u>
Total assets	78,969,478	74,439,644	75,902,598
Liabilities			
Current and other liabilities	2,944,968	4,903,747	3,970,523
Noncurrent liabilities	<u>6,903,227</u>	<u>7,048,493</u>	<u>7,012,229</u>
Total liabilities	<u>9,848,195</u>	<u>11,952,240</u>	<u>10,982,752</u>
Net Assets			
Invested in capital assets - Net of related debt	49,795,960	47,593,400	50,350,404
Restricted	9,493,794	6,140,167	6,063,138
Unrestricted	<u>9,831,529</u>	<u>8,753,837</u>	<u>8,506,304</u>
Total net assets	<u>\$ 69,121,283</u>	<u>\$ 62,487,404</u>	<u>\$ 64,919,846</u>

MAJOR FACTORS AFFECTING NET ASSETS

Current assets increased by \$2,447,061 due to higher cash reserves at the close of the current fiscal year.

Noncurrent assets increased by \$2,082,773 as a result of ongoing capital improvement expenditures.

Total liabilities decreased by \$2,104,045 mainly due to deferred revenue from the prior year, when the January 2010 subsidy payments from HUD were received in December 2009.

Noncurrent liabilities consist primarily of long-term debt in the form of a note payable/mortgage loan related to the component unit. During 2010, the long-term portion of the debt was reduced by \$89,417, from \$5,528,401 to \$5,438,984 at December 31, 2010. See Note 9 for further detail on this note payable.

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

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)

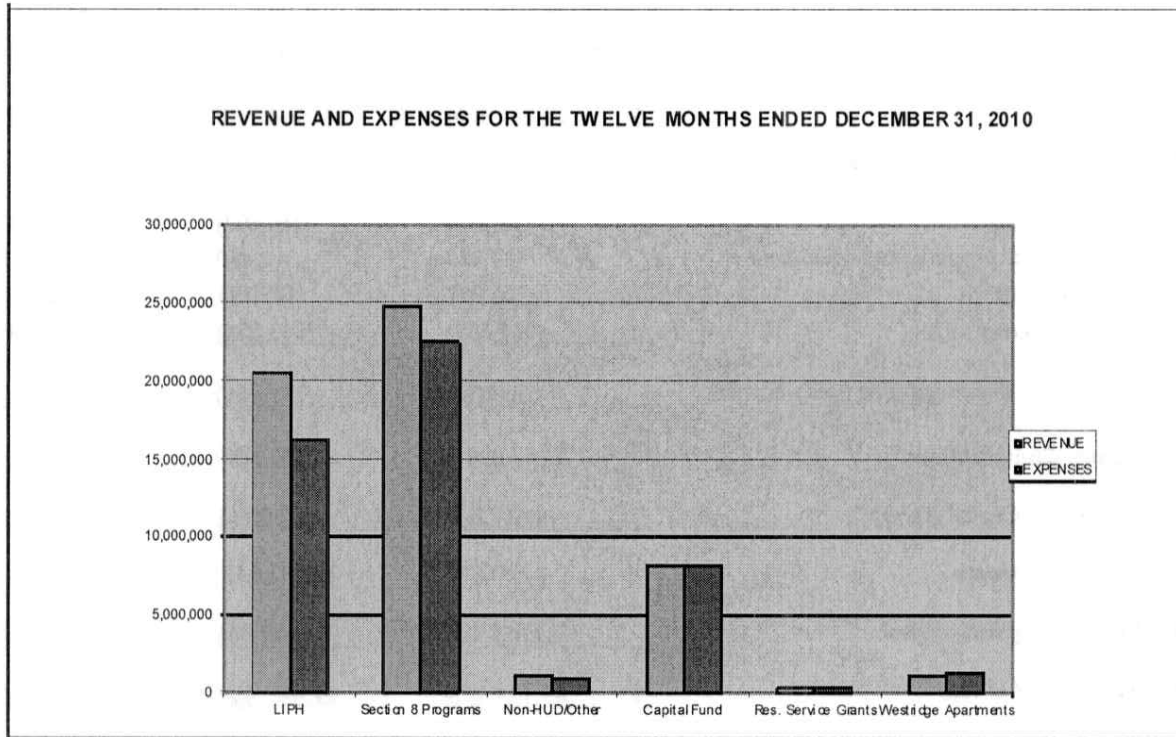
The following schedule compares the revenue and expenses for the current and previous fiscal years for all LMHA programs

Lucas Metropolitan Housing Authority Summary Revenue and Expenses by Programs

	Year Ended December 31, <u>2010</u>	Year Ended December 31, <u>2009</u>	Year Ended December 31, <u>2008</u>
Revenue			
Conventional Public Housing (LIPH)	\$ 19,007,540	\$ 18,276,776	\$ 16,858,472
Section 8 Programs	24,739,019	22,609,738	21,956,482
Capital Fund Program (CFP and CFRG)	9,667,860	2,750,161	1,580,121
Non-HUD/Other business activities	1,095,221	1,499,567	1,176,616
Resident service grants	254,887	201,274	251,935
Westridge Apartments (Non-HUD)	<u>1,063,319</u>	<u>1,120,307</u>	<u>1,147,189</u>
Total revenue	<u>\$ 55,827,846</u>	<u>\$ 46,457,823</u>	<u>\$ 42,970,815</u>
Expenses			
Conventional Public Housing (LIPH)	\$ 14,694,502	\$ 19,833,180	\$ 22,433,970
Section 8 Programs	22,454,733	23,309,833	22,576,742
Capital Fund Program (CFP)	9,667,860	2,750,161	1,580,121
Non-HUD/Other business activities	895,600	1,568,221	720,370
Resident service grants	254,887	201,274	251,935
Westridge Apartments (Non-HUD)	<u>1,226,385</u>	<u>1,227,596</u>	<u>1,312,396</u>
Total expenses	<u>\$ 49,193,967</u>	<u>\$ 48,890,265</u>	<u>\$ 48,875,534</u>

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)



Comparative Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Operating Revenue			
HUD and other grants	\$ 39,032,255	\$ 36,850,390	\$ 35,251,250
Rental income	5,837,079	5,953,507	5,865,795
Other income	<u>1,216,185</u>	<u>778,118</u>	<u>1,417,942</u>
Total operating revenue	46,085,519	43,582,015	42,534,987
Operating Expenses			
Housing assistance payments	19,877,338	20,804,372	20,048,904
Administrative salaries and benefits	6,327,574	5,716,640	6,017,465
Utilities	4,764,713	4,540,316	5,397,718
Maintenance - Material and labor	5,442,064	4,099,372	4,553,662
Sundry administration	2,856,069	2,228,579	2,221,155
Contract services	1,408,731	1,577,124	1,163,443
Resident services	937,424	855,145	1,061,843
General	1,495,908	1,833,422	1,348,079
Nonroutine maintenance	2,135	416,284	13,779
Protective service	579,334	441,704	62,931
Depreciation	<u>5,164,138</u>	<u>6,033,775</u>	<u>6,637,436</u>
Total operating expenses	<u>48,855,428</u>	<u>48,546,733</u>	<u>48,526,415</u>

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Operating Loss	\$ (2,769,909)	\$ (4,964,718)	\$ (5,991,428)
Nonoperating Income (Expense)			
Net (decrease) increase in the fair value of investments	(33,210)	(16,107)	45,592
Gain on sale of property and equipment	1,850	12,460	9,231
Interest income	105,827	129,295	435,828
Interest expense	<u>(338,539)</u>	<u>(343,534)</u>	<u>(349,119)</u>
Total nonoperating (loss) income	<u>(264,072)</u>	<u>(217,886)</u>	<u>141,532</u>
Loss Before Contributions	(3,033,981)	(5,182,604)	(5,849,896)
Contributions - Capital grants	<u>9,667,860</u>	<u>2,750,162</u>	<u>5,058,285</u>
Change in Net Assets	6,633,879	(2,432,442)	(791,611)
Net Assets - Beginning of year	<u>62,487,404</u>	<u>64,919,846</u>	<u>65,711,457</u>
Net Assets - End of year	<u>\$ 69,121,283</u>	<u>\$ 62,487,404</u>	<u>\$ 64,919,846</u>

MAJOR FACTORS AFFECTING REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

Total operating revenue increased by \$2,503,504 primarily due to the higher level of grant funding during the year.

Total expenses increased slightly by \$308,695 due to a general increase in operating expenditures.

Comparative Summary of Capital Assets

	December 31, 2010	December 31, 2009	December 31, 2008
Land	\$ 7,782,102	\$ 7,782,102	\$ 7,782,102
Buildings	182,003,095	175,448,662	170,502,815
Equipment	2,797,374	2,517,531	2,495,443
Accumulated depreciation	<u>(139,157,257)</u>	<u>(133,989,711)</u>	<u>(127,992,968)</u>
Subtotal	53,425,314	51,758,584	52,787,392
Work in progress	<u>1,899,047</u>	<u>1,447,670</u>	<u>3,255,354</u>
Total	<u>\$ 55,324,361</u>	<u>\$ 53,206,254</u>	<u>\$ 56,042,746</u>

Lucas Metropolitan Housing Authority

Management's Discussion and Analysis (Continued)

MAJOR FACTORS AFFECTING CAPITAL ASSETS

During the year ended December 31, 2010, the net change in capital assets amounted to an increase of \$2,118,103, mainly due to the completion of capital fund grant projects.

- Land remained the same, as no new acquisitions occurred during the year.
- Buildings values increased by \$6,554,433 as a result of capital improvements and prior year work in progress improvements to buildings that were completed during the current year.
- Equipment values increased by \$279,843 as a result of new vehicle purchases and computer hardware and software updates during the year.
- Accumulated depreciation increased by \$5,167,546 due to current year depreciation expense for the 12 months ended December 31, 2010.
- Work in progress increased by \$451,377 from the prior year. This is due to the capital improvements to buildings that were not yet completed during the year.

Lucas Metropolitan Housing Authority

Statement of Net Assets

Assets	December 31, 2010	December 31, 2009
Current Assets		
Cash and cash equivalents - Unrestricted (Note 2)	\$ 10,469,729	\$ 10,669,903
Cash and cash equivalents - Restricted (Note 2)	7,981,434	5,110,187
Tenant security deposits	346,075	340,150
Investments - Unrestricted (Note 2)	561,252	514,990
Investments - Program (Note 2)	1,512,360	1,029,980
Grants receivable	719,166	1,176,537
Tenant receivables - Net of allowance for doubtful accounts of \$256,747 and \$262,213 at December 31, 2010 and 2009, respectively	88,094	90,767
Notes receivable - Current	35,334	45,971
Interest receivable	22,049	19,697
Inventory	242,793	337,715
Assets held for resale	143,231	143,231
Prepaid expenses and other current assets	665,074	860,402
Total current assets	<u>22,786,591</u>	<u>20,339,530</u>
Noncurrent Assets		
Notes receivable - Noncurrent	858,526	893,860
Property and equipment - Net of accumulated depreciation of \$139,157,257 and \$133,989,713 at December 31, 2010 and 2009, respectively (Note 3)	55,324,361	53,206,254
Total assets	<u>\$ 78,969,478</u>	<u>\$ 74,439,644</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,586,174	\$ 1,520,851
Accounts payable - HUD	9,817	-
Security and other trust deposits	346,260	343,448
Accrued wages and payroll taxes	449,484	535,123
Compensated absences - Current portion (Note 6)	211,096	211,699
Notes payable - Current portion (Note 9)	89,417	84,453
Other current liabilities	252,720	2,208,173
Total current liabilities	<u>2,944,968</u>	<u>4,903,747</u>
Noncurrent Liabilities		
Notes payable - Net of current portion (Note 9)	5,438,984	5,528,401
Compensated absences - Net of current portion (Note 6)	1,196,215	1,199,624
Other noncurrent liabilities - Net of current portion	268,028	320,468
Total liabilities	<u>9,848,195</u>	<u>11,952,240</u>
Net Assets		
Unrestricted	9,831,529	8,753,837
Invested in capital assets - Net of related debt (Note 3)	49,795,960	47,593,400
Restricted	9,493,794	6,140,167
Total net assets	<u>69,121,283</u>	<u>62,487,404</u>
Total liabilities and net assets	<u>\$ 78,969,478</u>	<u>\$ 74,439,644</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Lucas Metropolitan Housing Authority

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2010	2009
Operating Revenue		
HUD and other operating grants	\$ 39,032,255	\$ 36,850,390
Rental income	5,837,079	5,883,170
Other income	1,216,185	848,455
Total operating revenue	46,085,519	43,582,015
Operating Expenses		
Housing assistance payments	19,877,338	20,804,372
Administrative salaries and benefits	6,327,574	5,716,640
Other administrative costs	2,856,069	2,228,579
Utilities	4,764,713	4,540,316
Maintenance - Material and labor	5,442,064	4,099,372
Contract services	1,408,731	1,577,124
Resident services	937,424	855,145
Insurance and other general expenses	1,495,908	1,833,422
Nonroutine maintenance	2,135	416,284
Protective service	579,334	441,704
Depreciation	5,164,138	6,033,775
Total operating expenses	48,855,428	48,546,733
Operating Loss	(2,769,909)	(4,964,718)
Nonoperating (Expenses) Income		
Realized and unrealized net loss on investments	(33,210)	(16,107)
Gain on sale of property and equipment	1,850	12,460
Interest income	105,827	129,295
Interest expense	(338,539)	(343,534)
Total nonoperating expenses	(264,072)	(217,886)
Loss Before Contributions	(3,033,981)	(5,182,604)
Contributions - Capital grants	9,667,860	2,750,162
Increase (Decrease) in Net Assets	6,633,879	(2,432,442)
Net Assets - Beginning of year	62,487,404	64,919,846
Net Assets - End of year	<u>\$ 69,121,283</u>	<u>\$ 62,487,404</u>

Lucas Metropolitan Housing Authority

Statement of Cash Flows

	Year Ended December 31	
	2010	2009
Cash Flows from Operating Activities		
Cash received from HUD operating subsidies and grants	\$ 39,489,626	\$ 37,509,876
Cash received from tenants	5,947,792	5,759,545
Other receipts	1,392,470	1,074,050
Cash payments for housing assistance	(19,867,521)	(20,881,083)
Cash payments for administrative expenses	(20,894,302)	(19,312,838)
Cash payments for other operating expenses	(3,382,698)	(194,110)
Cash payments for resident and other services	(1,566,361)	(1,142,238)
Other payments	-	105,579
Net cash provided by operating activities	1,119,006	2,918,781
Cash Flows from Investing Activities		
Interest received	103,475	156,118
Proceeds from sale of investments	-	3,818,912
Purchases of investments	(561,852)	-
Net cash (used in) provided by investing activities	(458,377)	3,975,030
Cash Flows from Capital and Related Financing Activities		
Capital grants received	9,667,860	2,750,162
Issuance of notes receivable	-	(79,488)
Payments from notes receivable	45,971	-
Purchase of property and equipment	(7,280,395)	(3,211,646)
Interest payments	(338,539)	(343,534)
Principal (payments on) proceeds from notes payable	(84,453)	28,757
Net cash provided by (used in) capital and related financing activities	2,010,444	(855,749)
Net Increase in Cash and Cash Equivalents	2,671,073	6,038,062
Cash and Cash Equivalents - Beginning of year	15,780,090	9,742,028
Cash and Cash Equivalents - End of year	\$ 18,451,163	\$ 15,780,090
Cash and Cash Equivalents Reconciliation		
Unrestricted	\$ 10,469,729	\$ 10,669,903
Restricted	7,981,434	5,110,187
Total cash and cash equivalents	\$ 18,451,163	\$ 15,780,090

Lucas Metropolitan Housing Authority

Statement of Cash Flows (Continued)

	Year Ended December 31, <u>2010</u>	Year Ended December 31, <u>2009</u>
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Operating loss	\$ (2,769,909)	\$ (4,964,718)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	5,164,138	6,033,775
Decrease in allowance for doubtful accounts	(5,466)	(44,220)
(Increase) decrease in operating assets:		
Tenant security deposits	(5,925)	(2,183)
Grants receivable	457,371	659,486
Tenant receivables	8,139	64,842
Inventory	94,922	40,529
Prepaid expenses and other assets	195,328	82,294
Increase (decrease) in operating liabilities:		
Accounts payable	75,140	(688,655)
Compensated absences	(89,651)	(73,366)
Other liabilities	(2,007,893)	1,803,062
Security and other trust deposits	<u>2,812</u>	<u>7,935</u>
Net cash provided by operating activities	<u>\$ 1,119,006</u>	<u>\$ 2,918,781</u>

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 1 - 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. Based upon this criteria of financial accountability, the Authority has included, as a business activity, the operations of Westridge Apartments Development Corporation (WADC) as a blended component unit for the years ended December 31, 2010 and 2009.

WADC was established as a wholly owned for-profit corporation of the Authority in January 2006 primarily for the purposes 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, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

The Authority applies 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. The Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989.

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, 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 investment income, expenses, and capital funding, which are considered nonoperating as required by HUD.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less.

Tenant Receivables and Recognition of Bad Debts - Tenant receivables are stated at net rent amounts. Tenant accounts are generally collectible as long as the tenant is occupying the unit. 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 \$5,000 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 useful lives:

Buildings and improvements	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 capital grant programs.

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

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 values of government securities and commercial papers are determined using amounts confirmed by the investment institutions and adjusting amounts as necessary for discounts, premiums, and/or interest income. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of revenues, expenses, and changes in net assets.

Restricted Cash and Program Investments - Restricted cash represents amounts held in Homeownership, Section 8 reserves, FSS escrow, and other tenants' escrow accounts. Program investments consist of amounts whose use is considered 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 also leases properties to tenants under various operating rental arrangements. Rental revenue is recognized monthly as earned. Recoveries from tenants are recognized as revenue in the period during which the associated costs are incurred.

Reclassification - Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2 - Deposits and Investments

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

	2010	2009
Cash and cash equivalents	\$ 10,469,729	\$ 10,669,903
Restricted cash and cash equivalents	7,981,434	5,110,187
Investments	561,252	514,990
Program investments	1,512,360	1,029,980
Total	<u>\$ 20,524,775</u>	<u>\$ 17,325,060</u>

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 2 - Deposits and Investments (Continued)

The above amounts are classified by Governmental Accounting Standards Board Statements No. 3 and No. 40 in the following categories:

	<u>2010</u>	<u>2009</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 17,333,661	\$ 14,665,512
Investments in securities, bank investment pools, interlocal investment pools, commercial paper, and mutual funds	3,188,039	2,658,123
Petty cash or cash on hand	<u>3,075</u>	<u>1,425</u>
Total	<u>\$ 20,524,775</u>	<u>\$ 17,325,060</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.

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 2 - Deposits and Investments (Continued)

The bank balances of the Authority's deposits are \$18,451,163 and \$15,780,090 at December 31, 2010 and 2009, respectively. The deposits are subject to custodial credit risk which is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy for custodial credit risk is that 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, instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, 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 are 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.

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 had the following investments at year end:

	2010	2009
Government securities	\$ 2,073,612	\$ 1,544,970
Merrill Lynch	105,025	104,843
STAR Ohio	1,009,402	1,008,310
Total investments	<u>\$ 3,188,039</u>	<u>\$ 2,658,123</u>

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, \$2,073,612 of the investment securities was uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but in the Authority's name.

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 \$2,073,612 and \$1,544,970 of government agency securities with an average weighted maturity of five months and 1.50 years for the years ended December 31, 2010 and 2009, respectively.

Credit Risk and Concentration of Credit Risk

The Authority has \$2,073,613 and \$1,544,970 of government agency securities that are invested in Federal Home Loan securities, which are government-sponsored agencies, and of which the principal and interest are implicitly guaranteed by the United States government for the years ended December 31, 2010 and 2009, respectively. The Standard and Poor's credit rating for the Federal Home Loan securities held is AAA.

The Authority also has \$1,009,402 invested in the State Treasury Asset Reserve (STAR) of Ohio public investment pool which is rated AAA by Standard and Poor's.

The Authority places no limit on the amount which may be invested in any one issuer.

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 3 - Property and Equipment

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

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010
Capital assets:				
Buildings and improvements	\$ 175,448,662	\$ 6,554,433	\$ -	\$ 182,003,095
Land and improvements	7,782,102	-	-	7,782,102
Furniture and fixtures, equipment, and moving vehicles	2,517,531	279,843	-	2,797,374
Work in progress	1,447,670	5,990,538	(5,539,161)	1,899,047
Total capital assets	187,195,965	12,824,814	(5,539,161)	194,481,618
Accumulated depreciation:				
Buildings and improvements	131,706,819	5,044,990	-	136,751,809
Furniture and fixtures, equipment, and moving vehicles	2,282,892	122,556	-	2,405,448
Total accumulated depreciation	133,989,711	5,167,546	-	139,157,257
Net capital assets	\$ 53,206,254	\$ 7,657,268	\$ (5,539,161)	\$ 55,324,361
	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
Capital assets:				
Buildings and improvements	\$ 170,502,815	\$ 4,945,847	\$ -	\$ 175,448,662
Land and improvements	7,782,102	-	-	7,782,102
Furniture and fixtures, equipment, and moving vehicles	2,495,443	59,120	(37,032)	2,517,531
Work in progress	3,255,354	-	(1,807,684)	1,447,670
Total capital assets	184,035,714	5,004,967	(1,844,716)	187,195,965
Accumulated depreciation:				
Buildings and improvements	125,706,086	5,912,075	88,658	131,706,819
Furniture and fixtures, equipment, and moving vehicles	2,286,882	121,700	(125,690)	2,282,892
Total accumulated depreciation	127,992,968	6,033,775	(37,032)	133,989,711
Net capital assets	\$ 56,042,746	\$ (1,028,808)	\$ (1,807,684)	\$ 53,206,254

Net assets invested in capital assets of \$55,324,361 and \$53,206,254 are presented on the statement of net assets, net of related debt of \$5,528,401 and \$5,612,854 at December 31, 2010 and 2009, respectively. Of these net amounts of \$49,795,960 and \$47,593,400, a total of \$9,681,149 and \$9,229,772 at December 31, 2010 and 2009, respectively, was invested in nondepreciable assets, land, and work in progress, as disclosed above.

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

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) | \$59.66/unit |
| b. Five-year Mainstream Voucher Program (OH006DV006) | 59.66/unit |
| c. Housing Choice Voucher Program (OH006AF0053/0063) | * |

* Administrative fees for the Housing Choice Voucher Program are calculated by HUD based on historical leasing data reported by the Housing Authority in the Voucher Management System (VMS) electronic database, and prorated based upon available funding. These amounts are then distributed as a consolidated monthly dollar amount.

The total administrative fees received for the years ended December 31, 2010 and 2009 were \$2,398,768 and \$2,362,183, respectively.

Note 5 - Retirement and Other Benefit Plans

The employees of the Authority are covered by the Ohio Public Employees' Retirement System of Ohio (OPERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan. OPERS provides postretirement healthcare 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. OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642, visiting the OPERS website at www.OPERS.org, or by calling (614) 222-5601.

OPERS 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-directed Plan - A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings.

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 5 - Retirement and Other Benefit Plans (Continued)

3. The Combined Plan - A cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate was 10.00 percent of qualifying wages for all employees in 2010, 2009, and 2008. The 2010, 2009, and 2008 employer contribution rate was 14.00 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 OPERS for the years ended December 31, 2010, 2009, and 2008 were \$1,850,918, \$1,685,506, and \$1,630,743, respectively. All required contributions were made prior to year end.

The Ohio Public Employees' Retirement System provides postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Healthcare coverage for disability recipients is available. The healthcare coverage provided by the retirement system is considered an other postemployment benefit (OPEB) as described in GASB Statement No. 45 and was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2010, 2009, and 2008 employer contribution rate was 14.00 percent of covered payroll; 7.00 percent was the portion that was used to fund health care for 2008 and through March 31, 2009; 5.5 percent was the portion used beginning April 1, 2009 through December 31, 2009. The 2007 employer contribution rate was 13.85 percent of covered payroll; 6 percent was the portion that was used to fund health care in 2007. 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 healthcare provisions, are expected to be sufficient to sustain the program indefinitely.

As of December 31, 2009, 2008, and 2007 (the most recent years reported by OPERS), the estimated net assets available for future OPEB payments totaled \$10.9 billion, \$10.7 billion, and \$12.8 billion, respectively, per the latest actuarial reviews. The number of active contributing participants was 348,112, 356,388, and 364,076 at December 2009, 2008, and 2007, respectively.

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

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

Notes to Financial Statements December 31, 2010 and 2009

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, 2010 and 2009, \$1,407,311 and \$1,411,323, respectively, of vested vacation, sick leave, and longevity was accrued by the Authority for both union and nonunion personnel. Of these amounts, \$211,096 and \$211,699 were due within one year as of December 31, 2010 and 2009, respectively, and are reported as current liabilities. Nonvested amounts are not material to the financial statements and have not been accrued. The change of \$4,009 in the balance accrued at December 31, 2010 and 2009 represents amounts earned in 2010 less amounts paid out.

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 receives 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, 2010 and 2009.

Commitments - The Authority is obligated to complete modernization phases to renovate various facilities. At December 31, 2010 and 2009, there were three open phases totaling \$1,051,253 and \$8,823,977, respectively, for which the Authority has approved funding from HUD to complete.

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 8 - Commitments and Contingencies (Continued)

Litigation and Claims - In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2010 and 2009, 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.

Note 9 - Long-term Debt

Westridge Apartments Development Corporation has a note payable of \$5,528,401 and \$5,612,854 at December 31, 2010 and 2009, respectively, 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.

Interest expense for the years ended December 31, 2010 and 2009 was \$338,539 and \$343,534, respectively.

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

2011	\$ 89,417
2012	94,386
2013	101,225
2014	107,546
2015	114,263
2016	<u>5,021,564</u>
Total	<u>\$ 5,528,401</u>

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

<u>Years Ending December 31</u>	<u>Amount</u>
2011	\$ 333,265
2012	328,606
2013	321,767
2014	315,445
2015	308,729
2016	<u>75,890</u>
Total	<u>\$ 1,683,702</u>

Lucas Metropolitan Housing Authority

Notes to Financial Statements December 31, 2010 and 2009

Note 9 - Long-term Debt (Continued)

Changes in long-term debt for the years ended December 31, 2010 and 2009 are as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Long-term debt	<u>\$ 5,612,854</u>	<u>\$ -</u>	<u>\$ (84,453)</u>	<u>\$ 5,528,401</u>

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Long-term debt	<u>\$ 5,692,342</u>	<u>\$ -</u>	<u>\$ (79,488)</u>	<u>\$ 5,612,854</u>

Supplemental Information

Line Item No.	Description	Business Activities Total	Westridge Comp Units Total	14,181 Mainstream Total	14,VSH VASH Total	14,870 ROSS Total	14,182 NC / SR Total	14,871 HCV Total	14,856 MR 004 Total	14,338 Shelter Plus Total	14,886 APRR Total	COCG Total	All AMP Total	Subtotal	Elimination	Entity Wide Total
111	Cash- unrestricted	1,172,689	0	74,650	81,167	0	0	680,879	33,591	0	0	2,110,407	6,143,736	10,469,729	0	10,469,729
112	Cash- restricted- modernization and development	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
113	Cash- restricted- modernization and development	0	0	0	0	0	0	4,306,829	0	0	0	5,059	7,870,268	7,870,268	0	7,870,268
114	Cash- restricted security deposits	3,465,390	0	51,960	0	0	0	2,221	0	0	0	291,861	346,075	346,075	0	346,075
115	Cash- Restricted for payment of current liability	0	0	0	0	0	0	0	0	0	0	0	11,116	11,116	0	11,116
100	Total Cash	4,838,968	419,762	74,650	81,167	0	0	4,567,708	33,591	0	0	2,117,667	6,435,682	18,379,258	0	18,379,258
121	Accounts receivable - PHA projects	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
122	Accounts receivable - PHA projects	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
124	Accounts receivable - other government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
126	Accounts receivable - miscellaneous	225,059	0	0	0	0	0	0	0	0	0	0	0	0	0	0
126.1	Allowance for doubtful accounts - tenants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
126.2	Allowance for doubtful accounts - tenants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
126.3	Allowance for doubtful accounts - other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
127	Accrued interest receivable	36,450	0	0	0	0	0	0	0	0	0	0	0	0	0	0
128	Allowance for doubtful accounts - Current	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
128.1	Allowance for doubtful accounts - Fraud	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
129	Accrued interest receivable	23,257	0	0	0	0	0	0	0	0	0	0	0	0	0	0
129	Accrued interest receivable	384,766	0	0	0	0	0	0	0	0	0	0	0	0	0	0
129	Total receivables, net of allowance for doubtful accounts	344,362	0	0	0	0	0	0	0	0	0	0	0	0	0	0
131	Investments - restricted	661,252	0	0	0	0	0	0	0	0	0	0	0	0	0	0
132	Investments - restricted	1,512,296	0	0	0	0	0	0	0	0	0	0	0	0	0	0
135	Investments - Restricted for payment of current liability	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
142	Prepaid expenses and other assets	20,000	3,713	0	0	0	0	0	0	0	0	0	0	0	0	0
143	Inventories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
143.1	Allowance for obsolete inventories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
145	Assets held for sale	143,231	0	0	0	0	0	0	0	0	0	0	0	0	0	0
145	Assets held for sale	7,189,696	422,476	74,650	91,167	28,233	0	5,239,541	33,591	7,696	250,314	3,632,650	6,996,932	23,936,144	1,149,653	143,231
150	Total Current Assets	18,826	7,684,186	74,650	91,167	28,233	0	5,239,541	33,591	7,696	250,314	3,632,650	6,996,932	23,936,144	1,149,653	143,231
161	Land	0	1,122,810	0	0	0	0	0	0	0	0	0	0	0	0	0
162	Buildings	0	7,130,591	0	0	0	0	0	0	0	0	0	0	0	0	0
163	Furniture, equipment and machinery - dwellings	0	17,730	0	0	0	0	0	0	0	0	0	0	0	0	0
164	Furniture, equipment and machinery - administration	74,311	0	0	0	0	0	67,118	0	0	0	0	0	0	0	0
165	Leasehold improvements	0	17,730	0	0	0	0	0	0	0	0	0	0	0	0	0
166	Accumulated depreciation	(65,483)	(1,176,969)	0	0	0	0	(53,262)	0	0	0	(4,182,088)	(133,888,985)	(138,157,267)	0	(138,157,267)
167	Construction in progress	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
168	Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
169	Infrastructure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
150	Total Capital assets, net of accumulated depreciation	18,826	7,684,186	74,650	91,167	28,233	0	5,239,541	33,591	7,696	250,314	3,632,650	6,996,932	23,936,144	1,149,653	143,231
171	Notes, loans, & mortgages receivable - Non-current	1,340,514	0	0	0	0	0	0	0	0	0	0	0	0	0	0
172	Notes, loans, & mortgages receivable - Non-current - past due	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
173	Grants receivable - Non-current	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
174	Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
175	Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100	Total Non-current Assets	1,340,514	0	0	0	0	0	0	0	0	0	0	0	0	0	0
190	Total Assets	8,619,024	7,516,660	74,650	91,167	28,233	0	5,239,541	33,591	7,696	250,314	3,632,650	6,996,932	23,936,144	1,149,653	143,231
311	Bank overdraft	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
312	Accounts payable - 30 days	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
313	Accounts payable - 30-90 days past due	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
314	Accounts payable - 90-180 days past due	6,187	1,414	0	0	0	0	19,258	0	0	0	0	0	0	0	0
322	Accrued compensated absences - current portion	4,867	0	0	0	0	0	27,092	0	0	0	0	0	0	0	0
324	Accrued contingency liability	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
325	Accrued interest payable	0	1,208	0	0	0	0	0	0	0	0	0	0	0	0	0
331	Accounts payable - HUD PHA Programs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
332	Accounts payable - HUD PHA Projects	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
333	Accounts payable - other government	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
341	Tenant security deposits	51,860	0	0	0	0	0	0	0	0	0	0	0	0	0	0
342	Deferred revenue	0	2,880	0	0	0	0	0	0	0	0	0	0	0	0	0
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	0	80,633	0	0	0	0	0	0	0	0	0	0	0	0	0
344	Current portion of long-term debt - operating borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
345	Other liabilities	0	226,649	0	0	0	0	0	0	0	0	0	0	0	0	0
346	Accrued liabilities - other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
347	Other programs - due to	190,388	8,038	21,180	0	0	0	665,089	8,916	7,696	0	0	0	0	0	0
348	Loan liability - current	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
310	Total Current Liabilities	207,442	389,039	24,070	0	28,233	0	665,089	16,656	7,696	250,314	1,702,022	549,765	4,944,521	(1,149,653)	2,844,988
351	Capital Projects / Mortgage Revenue Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
352	Long-term debt - operating borrowings	0	5,920,972	0	0	0	0	0	0	0	0	0	0	0	0	0
353	Non-current liabilities - other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
354	Accrued compensated absences - Non-current	27,562	0	0	0	0	0	0	0	0	0	0	0	0	0	0
355	Loan liability - Non-current	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
356	PASS 5 Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
357	Other non-current liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
350	Total Non-current Liabilities	27,562	5,920,972	0	0	0	0	0	0	0	0	0	0	0	0	0
300	Total Liabilities	234,904	6,301,011	24,070	0	28,233	0	665,089	16,656	7,696	250,314	1,702,022	549,765	4,944,521	(1,149,653)	2,844,988
508.1	Invested in capital assets, net of related debt	18,826	1,062,690	0	0	0	0	0	0	0	0	0	0	0	0	0
511.1	Restricted Net Assets	4,977,757	204,149	0	0	0	0	0	0	0	0	0	0	0	0	0
512	Unrestricted Net Assets	3,838,428	50,880	0	0	0	0	0	0	0	0	0	0	0	0	0
515	Total Equity/Net Assets	9,654,012	1,215,649	0	0	0	0	0	0	0	0	0	0	0	0	0
600	Total Liabilities and Equity/Net assets	8,519,024	7,516,660	74,650	91,167	28,233										

Lucas Metropolitan Housing Authority

Schedule of Units Under Management

LMHA had the following units under management at December 31, 2010 (in units):

LMHA-owned housing - OH006001	3,100
Moderate rehabilitation - OH006-MR-004	47
Voucher - OH006-V0 - Mainstream HCV	<u>3,865</u>
Total	<u><u>7,012</u></u>
Non-HUD units under management - Westridge Apartments	<u><u>190</u></u>

**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. 11/30/2008)

PHA/IHA Name Lucas Metropolitan Housing Authority	Comprehensive Grant Number OH12P00650106
	FFY of Grant Approval 2006

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

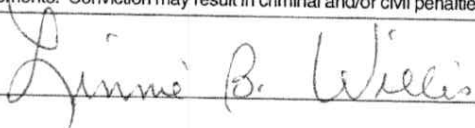
1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Comprehensive Grant, is as shown below:

A. Original Funds Approved	\$	5,246,780.00
B. Revised Funds Approved	\$	5,246,780.00
C. Funds Advanced	\$	5,246,780.00
D. Funds Expended (Actual Modernization Cost)	\$	5,246,780.00
E. Amount to be Recaptured (A-D)	\$	0.00
F. Excess of Funds Advanced (C-D)	\$	0.00

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 Linnie B. Willis, Executive Director		Date 06/23/2011
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For HUD Use Only

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

Annual Statement / Performance and Evaluation Report Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary

PHA Name: Lucas Metropolitan Housing Authority	Grant Type and Number Capital Fund Program Grant No. Replacement Housing Factor Grant No.:	Federal FY of Grant: 2006
<input type="checkbox"/> Original Annual Statement		<input checked="" type="checkbox"/> Revised Annual Statement (revision no: 1)
<input checked="" type="checkbox"/> Performance and Evaluation Report for Periods of 6/30/2010		<input type="checkbox"/> Final Performance and Evaluation Report

Line No.	Summary by Development Account	Total Estimated Cost			Total Actual Cost	
		Original	Revised	Obligated	Expended	
1	Total Non-CFP Funds					
2	1406 Operations	\$694,285.00	\$694,285.00	\$694,285.00	\$694,285.00	
3	1408 Management Improvements	\$350,000.00	\$360,425.15	\$360,425.15	\$360,425.15	
4	1410 Administration	\$483,749.00	\$483,749.00	\$483,749.00	\$483,749.00	
5	1411 Audit	\$0.00	\$0.00	\$0.00	\$0.00	
6	1415 Liquidated Damages	\$0.00	\$0.00	\$0.00	\$0.00	
7	1430 Fees and Costs	\$165,000.00	\$196,273.83	\$196,273.83	\$196,273.83	
8	1440 Site Acquisition	\$0.00	\$0.00	\$0.00	\$0.00	
9	1450 Site Improvement	\$563,400.00	\$509,926.94	\$509,926.94	\$509,926.94	
10	1460 Dwelling Structures	\$2,382,646.00	\$2,362,241.49	\$2,362,241.49	\$2,362,241.49	
11	1465.1 Dwelling Equipment-Nonexpendable	\$226,500.00	\$240,229.60	\$240,229.60	\$240,229.60	
12	1470 Nondwelling Structures	\$291,200.00	\$301,837.58	\$301,837.58	\$301,837.58	
13	1475 Nondwelling Equipment	\$65,000.00	\$61,655.60	\$61,655.60	\$61,655.60	
14	1485 Demolition	\$0.00	\$1,950.00	\$1,950.00	\$1,950.00	
15	1490 Replacement Reserve	\$0.00	\$0.00	\$0.00	\$0.00	
16	1492 Moving to Work Demonstration	\$0.00	\$0.00	\$0.00	\$0.00	
17	1495.1 Relocation Cost	\$25,000.00	\$34,205.81	\$34,205.81	\$34,205.81	
18	1499 Development Activities	\$0.00	\$0.00	\$0.00	\$0.00	
19	1501 Collateralization or Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	
20	1502 Contingency	\$0.00	\$0.00	\$0.00	\$0.00	
21	Amount of Annual Grant: (sum of lines 2-20)	\$5,246,780.00	\$5,246,780.00	\$5,246,780.00	\$5,246,780.00	
22	Amount of line 21 Related to LBP Activities	\$25,000.00	\$0.00	\$0.00	\$0.00	
23	Amount of line 21 Related to Section 504 Compliance	\$85,000.00	\$0.00	\$0.00	\$0.00	
24	Amount of line 21 Related to Security -- Soft Costs	\$100,000.00	\$0.00	\$0.00	\$0.00	
25	Amount of line 21 Related to Security -- Hard Costs	\$125,000.00	\$0.00	\$0.00	\$0.00	
26	Amount of line 21 Related to Energy Conservation Measures	\$1,150,000.00	\$0.00	\$0.00	\$0.00	

Signature of Executive Director and Date	Signature of Public Housing Director or Office of Native American Programs Administrator & Date:
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Annual Statement /Performance and Evaluation Report Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary

PHA Name: Lucas Metropolitan Housing Authority	Grant Type and Number Capital Fund Program Grant No. Replacement Housing Factor Grant No: OH12R00650103	Federal FY of Grant: 2003
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<input type="checkbox"/> Original Annual Statement	<input type="checkbox"/> Reserve for Disasters/Emergencies	<input type="checkbox"/> Revised Annual Statement (revision no:)
<input checked="" type="checkbox"/> Performance and Evaluation Report for Period Ending: Aug 2005	<input type="checkbox"/>	<input type="checkbox"/> Final Performance and Evaluation Report

Line No.	Summary by Development Account	Total Estimated Cost			Total Actual Cost	
		Original	Revised	Obligated	Expended	
1	Total Non-CFP Funds					
2	1406 Operations	\$0.00	\$0.00	\$0.00	\$0.00	
3	1408 Management Improvements	\$0.00	\$0.00	\$0.00	\$0.00	
4	1410 Administration	\$0.00	\$0.00	\$0.00	\$0.00	
5	1411 Audit	\$0.00	\$0.00	\$0.00	\$0.00	
6	1415 Liquidated Damages	\$0.00	\$0.00	\$0.00	\$0.00	
7	1430 Fees and Costs	\$0.00	\$0.00	\$0.00	\$0.00	
8	1440 Site Acquisition	\$0.00	\$0.00	\$0.00	\$0.00	
9	1450 Site Improvement	\$0.00	\$0.00	\$0.00	\$0.00	
10	1460 Dwelling Structures	\$0.00	\$0.00	\$0.00	\$0.00	
11	1465.1 Dwelling Equipment-Nonexpendable	\$0.00	\$0.00	\$0.00	\$0.00	
12	1470 Nondwelling Structures	\$0.00	\$0.00	\$0.00	\$0.00	
13	1475 Nondwelling Equipment	\$0.00	\$0.00	\$0.00	\$0.00	
14	1485 Demolition	\$0.00	\$0.00	\$0.00	\$0.00	
15	1490 Replacement Reserve	\$0.00	\$0.00	\$0.00	\$0.00	
16	1492 Moving to Work Demonstration	\$0.00	\$0.00	\$0.00	\$0.00	
17	1495.1 Relocation Cost	\$0.00	\$0.00	\$0.00	\$0.00	
18	1499 Development Activities	\$107,971.00	\$107,971.00	\$107,971.00	\$107,971.00	
19	1501 Collateralization or Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	
20	1502 Contingency	\$0.00	\$0.00	\$0.00	\$0.00	
21	Amount of Annual Grant: (sum of lines 2-20)	\$107,971.00	\$107,971.00	\$107,971.00	\$107,971.00	
22	Amount of line 21 Related to LBP Activities	\$0.00	\$0.00	\$0.00	\$0.00	
23	Amount of line 21 Related to Section 504 Compliance	\$0.00	\$0.00	\$0.00	\$0.00	
24	Amount of line 21 Related to Security -- Soft Costs	\$0.00	\$0.00	\$0.00	\$0.00	
25	Amount of line 21 Related to Security -- Hard Costs	\$0.00	\$0.00	\$0.00	\$0.00	
26	Amount of line 21 Related to Energy Conservation Measures	\$0.00	\$0.00	\$0.00	\$0.00	

Signature of Executive Director and Date: 11/26/2003 | Signature of Public Housing Director or Office of Native American Programs Administrator & Date:

X

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 year ended December 31, 2010 and have issued our report thereon dated July 20, 2011. 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 Lucas Metropolitan Housing Authority's 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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Finding 2010-1).

To the Board of Commissioners
Lucas Metropolitan Housing Authority

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (Finding 2010-02).

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*.

Lucas Metropolitan Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lucas Metropolitan Housing Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 20, 2011

Report on Compliance with Requirements Applicable to Each Major Program and
on Internal Control Over Compliance 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The major federal programs of Lucas Metropolitan Housing Authority are 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 each of its major federal programs is the responsibility of Lucas Metropolitan Housing Authority's 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 Lucas Metropolitan Housing Authority's 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 20, 2011

Lucas Metropolitan Housing Authority

Schedule of Expenditures of Federal Awards December 31, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity	Award Amount	Federal Expenditures
		Project/Grant Number		
U.S. Department of Housing and Urban Development				
Direct programs:				
Low-income Public Housing	14.850	C-5005	\$ 14,039,353	\$ 14,039,353
Housing Voucher Cluster:				
Lower-income Housing Assistance Program - Housing Choice Voucher Program	14.871	C-5035	23,468,523	23,468,523
Section 8 VASH Vouchers	14.871	C-5035	<u>224,158</u>	<u>224,158</u>
Total Housing Voucher Cluster			23,692,681	23,692,681
Section 8 Mainstream Vouchers	14.181	C-5035	730,107	727,227
Section 8 Project-based Cluster -				
Lower-income Housing Assistance Program: Moderate Rehabilitation	14.856	C-5035	248,846	241,909
Capital Fund Program Cluster:				
Public Housing Capital Fund Program 2006	14.872	OH12P006501-06	5,246,780	373,398
Public Housing Capital Fund Program 2007	14.872	OH12P006501-07	4,982,100	35,680
Public Housing Capital Fund Program 2008	14.872	OH12P006501-08	5,080,226	2,391,168
Public Housing Capital Fund Program 2009	14.872	OH12P006501-09	4,986,894	2,284,445
Public Housing Capital Fund Program 2009 ARRA - CFRG	14.872	OH12R006501-09	4,642	-
	14.885	OH12S006501-09	<u>6,437,159</u>	<u>4,583,169</u>
Total Capital Fund Program Cluster			26,737,801	9,667,860
Shelter Plus Care Grant - PRA Rehab Rental Assistance	14.238	OH16C601002	686,400	76,198
Resident opportunities and support services - ROSS - RSDF	14.870	OH006RPS056A008	<u>605,512</u>	<u>254,887</u>
Total federal awards			<u>\$ 66,740,700</u>	<u>\$ 48,700,115</u>

Lucas Metropolitan Housing Authority

Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lucas Metropolitan Housing Authority under programs of the federal government for the year ended December 31, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Lucas Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Lucas Metropolitan Housing Authority. Pass-through entity identifying numbers are presented where available.

Lucas Metropolitan Housing Authority

Schedule of Findings and Questioned Costs Year Ended December 31, 2010

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 programs:

- 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 programs: 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 programs:

CFDA Numbers	Name of Federal Program or Cluster
14.872, 14.885	Capital Fund Cluster
14.871	Housing Choice Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,461,003

Auditee qualified as low-risk auditee? Yes No

Lucas Metropolitan Housing Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

Section II - Financial Statement Audit Findings

Reference Number	Finding
2010-01	<p>Finding Type - Material weakness</p> <p>Criteria - Lucas Metropolitan Housing Authority's policy is to reconcile bank accounts each month. Outstanding and reconciling items are to be reviewed as part of the reconciliation process each month. In addition, individuals responsible for reconciling bank accounts should not have access to make journal entries in the general ledger.</p> <p>Condition - Lucas Metropolitan Housing Authority (the "Authority") did not follow up and investigate outstanding and reconciling items on bank reconciliations during the year. Although the senior accountant and finance director review the bank reconciliation after the accountant prepares it, the individual that was responsible for reconciling this account also had access to make journal entries in the general ledger.</p> <p>Context - An incident was noted for one of the Authority's bank accounts.</p> <p>Cause - This bank reconciliation had various unsupported reconciling items, making the reconciliation appear to be reconciled based on unknown items. The reconciling items could not be resolved by staff because there was a lack of understanding on behalf of the staff of how the two software versions the Authority is operating interfaced with the general ledger.</p> <p>Effect - Significant reconciling amounts were reported on the bank reconciliation without support. A consultant was hired to close the books who had experience working within the software environment identical to the Authority's.</p>

Lucas Metropolitan Housing Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2010-01 (Cont'd.)	<p>Recommendation - We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all significant reconciling items be promptly investigated and adjusted with adequate explanations. In addition, an employee with bank reconciliation responsibilities should not have the ability to make journal entries. This provides an ineffective system of cash control because it permits the possibility of unauthorized transactions due to the lack of an adequate segregation of duties. Removing this access should significantly improve the system of checks and balances necessary for strong cash control.</p> <p>Views of Responsible Officials and Planned Corrective Actions - LMHA concurs and has taken steps to provide the training and support needed for existing staff to resolve reconciling differences when they arise. It should be noted that the bank account observed in this finding was successfully reconciled through the 2010 year end before the start of the audit. In addition, LMHA recognizes the lack of separation of duties in that those employees with bank reconciliation responsibilities should not have the ability to make journal entries. A number of accounting personnel can enter journal entries, but only the senior accountant can post and update the journal entries to the general ledger. The senior accountant will no longer have responsibility for reconciling bank accounts.</p>

Lucas Metropolitan Housing Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2010-02	<p>Finding Type - Significant deficiency</p> <p>Criteria - According to the Authority's compensated absences accrual policy, employees should be accruing sick time based on years of service. Policy indicates that employees must have five years of service for management and 10 years of service for union employees in order to accrue this time.</p> <p>Condition - The Authority's schedule to account for employees eligible for this accrual improperly excluded employees that met the requirements in the policy.</p> <p>Context - There were 16 employees that were improperly excluded from the calculation of accrued compensated absences.</p> <p>Cause - The spreadsheet used to compute the accrual contained formula errors that were not detected in levels of review.</p> <p>Effect - Compensated absences accrual was understated by approximately \$236,000.</p> <p>Recommendation - We recommend that management review the detail of this calculation at the individual employee level to ensure all employees are properly included in the calculation according to the Authority's policy.</p> <p>Views of Responsible Officials and Planned Corrective Actions - LMHA concurs. Management-level accounting staff will review and approve, for accuracy, the detailed spreadsheet of compensated absences each month.</p>

Lucas Metropolitan Housing Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

Section III - Federal Program Audit Findings

None



Dave Yost • 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
MARCH 8, 2012