

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED JUNE 30, 1999**

J. E. Slough & Associates, Inc.
Certified Public Accountant
12 East Main Street
Levinston, Ohio 43904

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PAINESVILLE, OHIO**

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J. E. Slaybaugh & Associates, Inc.
Certified Public Accountant
12 East Main Street
Lexington, Ohio 44904

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

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At June 30, 1999

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Lake Metropolitan Housing Authority

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Lake Metropolitan Housing Authority
Painesville, Ohio

We have reviewed the Independent Auditor's Report of the Lake Metropolitan Housing Authority, Lake County, prepared by J. E. Slaybaugh & Associates, Inc., for the audit period July 1, 1998 to June 30, 1999. 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.



JIM PETRO
Auditor of State

March 1, 2000

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Lake Metropolitan Housing Authority
Painesville, Ohio

U.S. Dept. of Housing and
Urban Development
Public Housing Division
Cincinnati, Ohio

We have audited the accompanying financial statements of the Lake Metropolitan Housing Authority, Painesville, Ohio, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, Lake Metropolitan Housing Authority prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Metropolitan Housing Authority as of June 30, 1999, and the results of its operations and the cash flows for the year then ended on the basis of accounting prescribed above.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2000, on our consideration of Lake Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of Lake Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the supplemental exhibits, listed in the Table of Contents, are presented for the purposes of additional analysis, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is stated fairly, in all material respects, in relation to the financial statements taken as a whole.

J. E. Slaybaugh & Associates, Inc.
J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
January 7, 2000

EXHIBIT A

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

BALANCE SHEET AT JUNE 30, 1999

<u>ASSETS</u>	<u>Annual Contribution Contract</u>	
	<u>C-968</u>	<u>C-10001</u>
Cash	\$ 81,075	\$ 550,573
Accounts Receivable		
Tenants	14,252	
HUD		
Other	65,168	1,920
Investments	434,198	1,233,683
Amortization Funds		
Deferred Charges	16,243	
Land, Structures and Equipment	<u>11,199,999</u>	<u>158,099</u>
Total Assets	<u>\$11,810,935</u>	<u>\$ 1,944,275</u>
 <u>LIABILITIES AND SURPLUS</u>		
Accounts Payable		
Vendor	\$ 27,249	\$ 8,929
Tenant Security Deposit	29,303	
HUD		612,801
Other	11,852	2,015
Notes Payable	- 37	
Accrued Liabilities	73,812	
Deferred Credits	93,331	
Fixed Liabilities	<u>2,540,693</u>	
Total Liabilities	<u>2,776,277</u>	<u>623,745</u>
Surplus - Exhibit C	<u>9,034,658</u>	<u>1,320,530</u>
Total Liabilities and Surplus	<u>\$11,810,935</u>	<u>\$ 1,944,275</u>

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

EXHIBIT B(1)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

STATEMENT OF INCOME AND EXPENSE - PHA OWNED HOUSING

Twelve Months Ended June 30, 1999

Annual Contributions Contract C-968

Project OH25-1/2&8

Operating Income

Dwelling Rental	\$ 418,597
Nondwelling Rental	4,839

Total Rental Income	423,436
---------------------	---------

Interest on General Fund Investments	22,116
Other Income	16,913

Total Operating Income - Exhibit D(1)	462,465
---------------------------------------	---------

Operating Expenses

Administrative	161,295
Utilities	177,120
Ordinary Maintenance & Operation	205,591
General Expense	90,739
Non-Routine Maintenance	90,147

Total Operating Expense - Exhibit D(1)	724,892
--	---------

Net Operating Income (Loss)	(262,427)
-----------------------------	-----------

Other Credits

Prior Year Adjustments Affecting Residual Receipts	19,238
Prior Year Adjustments Not Affecting Residual Receipts	442,001

Total Other Credits	461,240
---------------------	---------

Net Income (Loss)	<u>\$ 198,812</u>
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The accompanying notes are an integral part of these financial statements.

EXHIBIT B(2)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIOSTATEMENT OF INCOME AND EXPENSE
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - EXISTING

Twelve Months Ended June 30, 1999

Annual Contributions Contract C-10001Project OH 025 CEOperating Income

Interest on Operating Reserve Investments	\$ 66,090
Other Income	<u>3,817</u>

Total Operating Income - Exhibit D(2)	69,907
---------------------------------------	--------

Operating Expenses

Administrative Expense	342,875
Housing Assistance Payments	3,324,514
Audit Costs	<u>5,000</u>

Total Operating Expense - Exhibit D(2)	<u>3,672,389</u>
--	------------------

Net Operating Income (Loss)	(3,602,482)
-----------------------------	-------------

Other Credits

Prior Year Adjustments Affecting Residual Receipts	1,275
Loss From Disposition of Nonexpendable Equipment	<u>(541,545)</u>

Total Other Credits	<u>(540,270)</u>
---------------------	------------------

Net Income (Loss)	<u>\$ (4,142,752)</u>
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The accompanying notes are an integral part of these financial statements.

EXHIBIT B(3)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

STATEMENT OF INCOME AND EXPENSE
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - NEW CONSTRUCTION-ANDREWS PLACE

Twelve Months Ended June 30, 1999

Annual Contributions Contract C-10001

Project OH12-0008-035

Operating Income

Interest on Operating Reserve Investments \$ 9,763

Total Operating Income - Exhibit D(3) 9,763

Operating Expenses

Administrative Expense 17,289

Housing Assistance Payments 363,834

Total Operating Expense - Exhibit D(3) 381,123

Net Operating Income (Loss) \$ (371,360)

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

EXHIBIT B(4)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

STATEMENT OF CASH FLOWS

Year Ended June 30, 1999

	Annual Contribution Contract	
	<u>C-968</u>	<u>C-10001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (262,427)	\$ (4,514,112)
Adjustments to reconcile net loss to net cash provided by operating activities:		
(Increase) Decrease In:		
Accounts Receivable	(52,015)	19,521
Investments	(20,287)	(333,911)
Deferred Charges	(15,243)	
Increase (Decrease) In:		
Accounts Payable	4,231	391,454
Accrued Expenses	(3,587)	
Deferred Credits	8,194	
Net Cash Used By Operating Activities	<u>(341,134)</u>	<u>(4,437,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Project Costs	(983,988)	497,291
Equipment Purchased	<u>(25,822)</u>	<u>(22,251)</u>
Net Cash Used By Investing Activities	<u>(1,009,810)</u>	<u>475,040</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
HUD Grants	541,291	
Operating Subsidy	325,967	4,150,879
Prior Period Adjustment	<u>461,336</u>	<u>(2,866)</u>
Net Cash Provided By Financing Activities	<u>1,328,594</u>	<u>4,148,013</u>
Net Increase (Decrease) In Cash	(22,350)	186,005
Cash At The Beginning Of Year	<u>103,425</u>	<u>364,568</u>
Cash At End Of Year	<u>\$ 81,075</u>	<u>\$ 550,573</u>

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

EXHIBIT C

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

STATEMENT OF CHANGES IN SURPLUS

Twelve Months Ended June 30, 1999

	<u>Annual Contribution Contract</u>	
	<u>C-968</u>	<u>C-10001</u>
SURPLUS at July 1, 1998	\$ 7,968,587	\$ 1,691,297
Increase (Decrease) In:		
Unreserved Surplus	141,857	(5,440,794)
Operating Reserve	56,956	141,819
Project Account - Unfunded		777,329
Cumulative HUD Contributions	325,967	4,150,879
Cumulative HUD Grants	<u>541,291</u>	<u> </u>
SURPLUS at June 30, 1999	<u>\$ 9,034,658</u>	<u>\$ 1,320,530</u>

Exhibit A

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

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

NOTE 1 - Summary of Significant Accounting Policies

A. Organization

The Lake Metropolitan Housing Authority is a political subdivision of the State of Ohio, created under Section 3735.27 of the Ohio Revised Code. 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 rent subsidies. Based on the criteria established by GASB codification 2300, there are no component units to be included with the reporting entity.

B. Basis of Accounting

The Authority's policy is to maintain its accounting records on the modified cash basis in accordance with accounting practices prescribed by the Department of Housing and Urban Development. The Authority does not depreciate its structures and equipment. Accordingly, the accompanying financial statements are not intended to present financial position and the results of operations in conformity with generally accepted accounting principles.

C. Land, Structures and Equipment

Land, Structures and Equipment are recorded at cost. No depreciation is provided according to HUD accounting practices.

D. Cash and Investments

At year-end, the Book Value of the PHA's cash and investments, consisting of Demand Deposits and Certificates of Deposit, was \$ 2,299,529, and the Bank Balance was \$ 2,405,089.

- 1) \$ 500,000 was covered by Federal Depository Insurance.
- 2) \$ 1,905,089 was covered by specific collateral held by a third party in the name of the PHA.

HUD Handbook 7475.1, Chapter 4, Section 1, authorizes the PHA to make investments in:

Direct Obligations of the Federal Government;
Obligations of Federal Government Agencies;
Securities of Government-Sponsored Agencies;
Demand and Savings Deposits and Certificates of Deposit.

The PHA's cash, which are demand deposits, at June 30, 1999, are as follows:

<u>Annual Contribution Contract</u>	<u>Bank Amount</u>	<u>Book Amount</u>
C-968	\$ 561,338	\$ 515,273
C-10001	<u>1,843,751</u>	<u>1,784,256</u>
TOTAL	<u>\$2,405,089</u>	<u>\$2,299,529</u>

E. Financial Statements Format and Content

The format and content of the financial statements included in this report conform to the format and content of annual report forms submitted to HUD.

NOTE 2 - DEFINED BENEFIT PENSION PLAN:

A. Public Employees Retirement System Pension Plan

All Lake Metropolitan Housing Authority's full-time employees participate in the Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employees retirement system operated by the State.

All public employees in Ohio, except for certain specific exclusions and exemptions, are required to become contributing member of PERS. Employees may retire at or after age 60 with 5 years of credited service. They are entitled to a retirement benefit, payable monthly for life, equal to 2.1% of their final average salary for the first 30 years of credited service and 2.5% for years of service in excess of 30 years. Final average salary is the employee's average salary over the highest 3 years of earnings. Benefits fully vest upon reaching 5 years of service. Employees may retire at any age with 30 years of service, at age 60 with a minimum of 25 years of service. Those individuals retiring with less than 30 years of service or less than age 65, receive reduced retirement benefits. Benefits are established by the state statute.

Covered employees are required by state statute to contribute 8.5% of their salary to the plan. The total 1999 employer contribution rate for local government employees units is 13.55%, of which 8.44% is used to fund pension obligations. The difference between the total employer rate and the portion used to fund pension obligations is the amount used to fund the health care program for retirants. For the year ended June 30, 1999, the employer portion of the retirement contribution amounted to \$ 57,617 on covered payroll of \$ 425,217, which met the contribution rate stated above and included the portion of the employee contribution "picked up" in accordance with the resolution by the Lake Metropolitan Housing Authority Board of Commissioners.

The preceding two years had the following contribution rates:

	<u>Contribution</u>	<u>Contribution Rate</u>
6/30/98	\$ 55,409	13.55 %
6/30/97	\$ 57,441	13.55 %

The Public Employees Retirement System issues a stand alone financial statement, which is made available to all plan participants.

NOTE 3 - FIXED LIABILITIES

As a result of the "Forgiveness" legislation, Public Law 99-272, HUD no longer applies annual contributions on HUD held notes, and provides that HUD will forgive all HUD notes which were held to be repaid using fixed annual contributions. HUD will also forgive the accrued interest on these notes. The forgiven debt will be treated as HUD contributions on the Authority's books. The Authority will reduce this contribution by the amount that it has booked as contributions due from HUD but not received. The Authority has elected not to record the accruals based on HUD's directive.

As of June 30, 1999, the Authority had the following Long Term Debt:

FFB Notes - Project 25-1, issued July 6, 1983,		Bonds Payable - Project 25-2	
maturing November 1, 2014 Principal \$ 1,926,557		issued July 1, 1973, maturing July 1, 2009	
Current Balance @ June 30, 1999 \$ 1,357,823		Current Balance @ June 30, 1999 \$ 673,422	
Principal Reductions:		Principal Maturing:	
11-1-99	50,379	7-1-99	\$ 50,285
11-1-00	53,408	7-1-00	52,503
11-1-01	57,237	7-1-01	55,461
11-1-02	61,010	7-1-02	58,419
Future	1,135,789	Future	456,754

NOTE 4 - YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

As of January 7, 2000, Lake Metropolitan Housing Authority has inventoried its mission-critical computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the Authority's operations. based on this inventory, the Authority determined that no further remediation or system testing was required.

To the best of management's knowledge and belief, as of January 7, 2000, Lake Metropolitan Housing Authority has not experienced any significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the Lake Metropolitan Housing Authority does business may also experience Year 2000 readiness issues that are as yet, unknown.

EXHIBIT D(1)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

COMPUTATION OF RESIDUAL RECEIPTS AND ACCRUING ANNUAL CONTRIBUTIONS
PHA OWNED HOUSING

Twelve Months Ended June 30, 1999

Annual Contribution Contract C-968

Project OH 25-1/2&8

Computation of Residual Receipts

Operating Receipts

Operating Income - Exhibit B(1)	\$ 462,465
HUD Operating Subsidy	<u>325,967</u>
Total Operating Receipts	788,432

Operating Expenditures

Operating Expenses - Exhibit B(1)	724,893
Capital Expenses	25,822
Prior Year Adjustment Affecting Residual Receipts	<u>(19,238)</u>
Total Operating Expenditures	<u>731,477</u>

Residual Receipts (Deficit)	56,955
Provision for (Reduction of) Operating Reserve	<u>56,955</u>
Residual Receipts	<u>\$ - 0 -</u>

EXHIBIT D(2)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - EXISTING

Twelve Months Ended June 30, 1999

Annual Contribution Contract C-10001

Project OH 025 CE

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$ 4,569,798
Pro Rata Maximum Annual Contribution Applicable to a period of less than twelve months	-
	<u>-</u>
Maximum Contribution For Period	4,569,798
Project Account Balance at Beginning of Year	<u>3,315,183</u>
Total Annual Contribution Available	7,884,981

Annual Contribution Required

Administrative Fee	435,688
Housing Assistance Payments	3,324,514
Hard - to - House Fee	2,250
Audit Costs	<u>5,000</u>
Total Funds Required	3,767,452
Project Receipts Other Than Annual Contribution	<u>(3,817)</u>
Total Annual Contributions Required	<u>3,763,635</u>

Project Account Change

Provision for Project Account	<u>\$ 806,163</u>
Annual Contribution Earned - Lesser of Contribution Available or Contribution Required	<u>\$ 3,763,635</u>

EXHIBIT D(2) Continued

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - EXISTING

Twelve Months Ended June 30, 1999

Annual Contributions Contract - C-10001

Operating Reserve Changes

Operating Income - Exhibit B(2)	69,907
Annual Contribution Earned	<u>3,763,635</u>

Total Operating Receipts	3,833,542
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Operating Expenditures

Operating Expenses - Exhibit B(2)	3,672,389
Capital Expenses	22,251
Prior Year Adjustments Affecting Residual Receipts	<u>(1,275)</u>

Total Operating Expenditures	<u>3,693,365</u>
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Net Operating Receipts Available	140,177
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Provision for (Reduction of) Operating Reserve	<u>140,177</u>
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Deficit Carry-Over	<u>\$ - 0 -</u>
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EXHIBIT D(3)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - NEW CONSTRUCTION-ANDREWS PLACE

Twelve Months Ended June 30, 1999

Annual Contribution Contract C-10001

Project OH12-0008-035

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$ 422,640
Pro Rata Maximum Annual Contribution Applicable to a period of less than twelve months	<u>-</u>
Maximum Contribution For Period	422,640
Project Account Balance at Beginning of Year	<u>800,996</u>
Total Annual Contribution Available	1,223,636

Annual Contribution Required

Administrative Fee	23,410
Housing Assistance Payments	<u>363,834</u>
Total Funds Required	387,244
Project Receipts Other Than Annual Contribution	<u>-</u>
Total Annual Contributions Required	<u>387,244</u>

Project Account Change

Provision for Project Account	<u>\$ 35,396</u>
Annual Contribution Earned - Lesser of Contribution Available or Contribution Required	<u>\$ 387,244</u>

EXHIBIT D(3) Continued

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - NEW CONSTRUCTION-ANDREWS PLACE

Twelve Months Ended June 30, 1999

Annual Contributions Contract - C-10001

Operating Reserve Changes

Operating Income - Exhibit B(3)	9,763
Annual Contribution Earned	<u>387,244</u>

Total Operating Receipts	397,007
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Operating Expenditures

Operating Expenses - Exhibit B(3)	<u>381,123</u>
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Total Operating Expenditures	<u>381,123</u>
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Net Operating Receipts Available	15,884
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Provision for (Reduction of) Operating Reserve	<u>15,884</u>
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Deficit Carry-Over	<u>\$ - 0 -</u>
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EXHIBIT E(1)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

STATEMENT OF MODERNIZATION COST UNCOMPLETED

At June 30, 1999

Annual Contribution Contract C-968/C-5520

<u>CLASSIFICATION</u>	<u>OH-909</u>	<u>OH-910</u>
Funds Approved	\$ 442,760	\$ 414,000
Funds Expended	<u>426,956</u>	<u>184,401</u>
Excess (Deficiency) of Funds Approved	<u>\$- 15,804</u>	<u>\$ 229,599</u>
Funds Advanced	\$ 422,799	\$ 183,401
Funds Expended	<u>426,956</u>	<u>184,401</u>
Excess (Deficiency) of Funds Advanced	<u>\$ (4,157)</u>	<u>\$ (1,000)</u>

EXHIBIT E(2)

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

ACTUAL DEVELOPMENT COST - UNCOMPLETED

At June 30, 1999

	PROJECT <u>OH12PO25</u>
Funds Budgeted	\$ 2,754,200
Funds Expended	<u>338,499</u>
Excess (Deficiency) of Funds Budgeted	<u>\$ 2,415,701</u>
Funds Advanced	\$ 338,042
Funds Expended	<u>338,499</u>
Excess (Deficiency) of Funds Expended	<u>\$ (457)</u>

EXHIBIT H

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Twelve Months Ended June 30, 1999

<u>FROM U.S. DEPARTMENT OF HUD</u> <u>DIRECT PROGRAMS</u>	FEDERAL CFDA NUMBER	<u>FUNDS RECEIVED</u>	<u>FUNDS DISBURSED</u>
Annual Contribution Contract C-968:			
PHA Owned Housing:			
Operating Subsidy -		325,967	325,967
Development		<u>8,655</u>	<u>8,655</u>
Sub-Total	14.850	<u>334,622</u>	<u>334,622</u>
Annual Contribution Contract C-968/C-5520			
PHA Owned Housing:			
Modernization Funds 909/910		<u>532,635</u>	<u>532,635</u>
Sub-Total	14.852	<u>532,635</u>	<u>532,635</u>
Annual Contribution Contract C-10001:			
Housing Assistance Payments:			
Section 8 Cluster			
Annual Contribution - Existing	14.857	3,763,635	3,763,635
New Const	14.182	<u>387,244</u>	<u>387,244</u>
Sub-Total Section 8 Cluster		<u>4,150,879</u>	<u>4,150,879</u>
TOTAL - ALL PROGRAMS		<u>\$ 5,018,136</u>	<u>\$ 5,018,136</u>

Basis of Accounting

As discussed in Note 1, Lake Metropolitan Housing Authority prepares its Schedule of Expenditures of Federal Awards on a prescribed basis of accounting that demonstrates compliance with the modified cash basis accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
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*John E. Slaybaugh III
Certified Public Accountant*

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

Board of Commissioners
Lake Metropolitan Housing Authority
Painesville, Ohio

U.S. Department of Housing and
Urban Development
Public Housing Division
Cincinnati, Ohio

Compliance

We have audited the compliance of Lake Metropolitan Housing Authority with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Lake Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on Lake Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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* and the provisions of the *Public and Indian Housing Compliance Supplement*, PIH Notice 97-30. 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 Lake 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 Lake Metropolitan Housing Authority's compliance with those requirements.

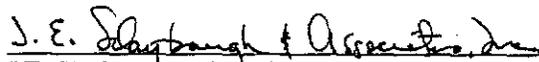
In our opinion, Lake Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Lake 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 the 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.

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

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



J.E. Slaybaugh & Associates, Inc.

Lexington, Ohio

January 7, 2000

J. E. Slaybaugh & Associates, Inc.

12 East Main Street
Lexington, Ohio 44904

Member AICPA
Member OSCPA

John E. Slaybaugh III
Certified Public Accountant

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

Board of Commissioners
Lake Metropolitan Housing Authority
Painesville, Ohio

U.S. Dept. of Housing and
Urban Development
Public Housing Division
Cincinnati, Ohio

We have audited the financial statements of Lake Metropolitan Housing Authority, Painesville, Ohio, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.

Lexington, Ohio

January 7, 2000

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

SUMMARY OF ACTIVITIES

June 30, 1999

At the close of fiscal year ended June 30, 1999, the Lake Metropolitan Housing Authority had the following operations management:

		<u>Units</u>
<u>Public Housing - Contract C-968</u>		
Owned -	Project - OH 25-1/2&8	240
<u>Section 8 - Contract C-10001</u>		
Existing -	Project - OH 025 CE	905
New Construction -	Project - OH12-0008-35	<u>78</u>
TOTAL		<u>1,223</u>

Prior Audit Findings

Prior audit findings have been cleared by HUD.

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO

SCHEDULE OF FINDINGS

JUNE 30, 1999

PART I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor has issued an unqualified opinion on the financial statements of Lake Metropolitan Housing Authority.
2. There were no reportable conditions in internal control disclosed by the audit of the financial statements.
3. There was no noncompliance material to the financial statements disclosed by the audit.
4. There were no reportable conditions in the internal control over major programs disclosed by the audit.
5. The auditor has issued an unqualified opinion on compliance for major programs for Lake Metropolitan Housing Authority.
6. The audit disclosed no audit findings.
7. The major programs are:
 - Section 8 Cluster
 - Public Housing
 - Modernization
8. The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
9. The auditor determined that Lake Metropolitan Housing Authority qualified as a low-risk auditee.

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED
TO BE REPORTED IN ACCORDANCE WITH *GAGAS*

1. None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS

1. None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MARCH 16, 2000