
CHICAGO METROPOLITAN HOUSING AUTHORITY

SINGLE AUDIT REPORT FOR THE YEAR ENDED

JUNE 30, 1999



PRICE & CO.

Public Accountants

LORAIN METROPOLITAN HOUSING AUTHORITY

SINGLE AUDIT REPORT FOR THE YEAR ENDED

JUNE 30, 1999

WATSON
RICE & CO.
Certified Public Accountants

LORAIN METROPOLITAN HOUSING AUTHORITY
FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have reviewed the Independent Auditor's Report of the Lorain Metropolitan Housing Authority, Lorain County, prepared by Watson, Rice & Company, for the audit period July 1, 1998 through 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 Lorain Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized flourish.

JIM PETRO
Auditor of State

January 14, 2000



Certified Public Accountants
A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet - all programs of the Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit Lorain County Elderly Housing Corporation as of June 30, 1999, and the related statement of revenues and expenditures and the statement of changes in surplus for the year then ended. These financial statements are the responsibility of LMHA'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, standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Public and Independent Housing (PIH) Compliance Supplement - "Guidance for Annual Audits of Public Housing Authorities by Independent Auditors" - issued by the U.S. Department of Housing and Urban Development (PIH-95-27 and PIH-96-33). These 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 2 to the financial statements, the financial statements referred to above were prepared on the basis prescribed by the U.S. Department of Housing and Urban Development (HUD), 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 LMHA and its component unit Lorain County Elderly Housing Corporation as of June 30, 1999 and the results of operations for the year then ended on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued a report dated December 23, 1999 on our consideration of the Lorain Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required report of the financial statements. In addition the accompanying financial information listed as supporting supplement schedules in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements of Lorain Metropolitan Housing Authority. Both the Schedule of Expenditures of Federal Awards and the supplementary supporting schedules have been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole, and in our opinion, are presented fairly in all material respects in relation to the financial statements taken as a whole.

Watson Ricci & Co.

December 23, 1999

LORAIN METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET - ALL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1999

ASSETS	-Annual Contribution Contract-		Economic Development and Supportive Services Grant	Youth Sports Grant	Shelter Plus Care Grant	Component Unit - Lorain County Elderly Housing Corporation	Total Memorandum Only
	C-5010 Public Housing Program	C-1009 Section 8 Program					
General Fund & Administrative Fund	\$150,874	\$2,013,903				\$2,719,782	\$6,787,283
Cash and Cash Equivalents (Note 3)	\$1,902,724						382,728
Unrestricted Investments (Note 3)	382,728	47,347				30,817	248,277
Restricted Cash and Investments (Note 4)	170,113					787,790	787,790
Restricted Investments/Trustee Accounts Receivable:							
Tenants	35	121,151				6,866	128,052
Tenant Repayment		145,612					145,612
Other	23	2,019				1,273	47,855
Interprogram Accounts Receivable			3		20,691		66,128
Due From Trustee-PILOT and Excess Cash Distributors						91,387	91,387
Deferred Charges:							
Inventory		243,875					243,875
Prepaid Insurance	647	3,522				1,324	45,791
Land, Structures & Equipment (Note 5)	260,500	1,908,985		125,000		5,836,156	64,537,003
TOTAL ASSETS	\$412,079	\$3,221,388	\$3	\$125,000	\$20,691	\$9,504,387	\$73,511,811
LIABILITIES & FUND BALANCE							
Family Self-Sufficient Payable (Note 4)		45,743					90,823
Other Payable	3,843	73,895				44,845	408,482
Accounts Payable - HUD - Section 8		246,375					246,375
Contract Retainage Payable							115,226
PILOT Payable		115,226				18,302	91,359
Other Deferred Credits		73,087					1,628
Undistributed Credits - Section 8		1,628					145,612
Bonds Payable (Note 6 and Note 7)						5,290,000	5,290,000
Interprogram Account Payable	14,886	1,125					66,128
Trustee Cash Distribution Payable to LCEHC						69,794	69,794
Total Liabilities	18,729	512,750	0	0	0	5,422,941	6,525,427
Surplus	393,350	2,708,638	3	125,000	20,691	4,081,446	66,986,384
Total Liabilities & Fund Balance	\$412,079	\$3,221,388	\$3	\$125,000	\$20,691	\$9,504,387	\$73,511,811

The Accompanying Footnotes are an Integral Part of These Financial Statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES - ALL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1999

	-Annual Contribution Contract-				Economic Development and Supportive Services Grant	Tenants Opportunity Program	Youth Sports Grant	Shelter Plus Care Grant	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
	General Fund & Administrative Fund	C-5810 Public Housing Program	Section 8 Program	Drug Elimination Grant Program						
OPERATING REVENUES										
Dwelling Rental	\$32,221	\$1,922,188							\$1,161,404	\$3,115,733
Interest Income	5,544	121,900	181,694						187,018	416,156
Fraud Recovery			52,182							52,182
Other Income	417	24,478	28,475							53,370
Revenue From Tenant Collection Agreements		146,845								146,845
Management & Administration Fee	25,877		1,008,178						6,467	1,040,522
Fiscal Year 1998 Trustee Distributions					80,778	0	266,526		112,876	112,876
Grant Revenues				411,276	55,879	0	266,526			813,659
Total Revenues	64,059	2,215,331	1,196,529	411,276	55,879	0	266,526	1,467,765		5,751,343
OPERATING EXPENSES										
Administration Expense	\$19,565	\$1,631,774	\$611,716						\$282,984	\$1,946,839
Tenant Service		32,153								32,153
Utilities	9,409	958,908	8,759						219,827	1,188,103
Ordinary Maintenance	19,833	1,846,814	54,295						186,300	2,106,542
General	7,569	840,374	292,130						132,953	1,183,826
Non-Routine Maintenance		120,167								120,167
Interest Expense		1,522							333,158	334,680
Housing Assistance Payments			8,446,140							8,446,140
Trustee Distributions										
Grant Expenses					53,354		230,972		112,876	343,533
Total Operating Expenses	56,476	4,822,912	9,323,040	0	53,354	0	230,972	1,267,298		15,813,259
Prior Period Adjustments - Affecting Residual Receipts	(2,715)	1,198	38,089						(246)	36,314
Total Operating & Other Expenses	53,758	4,824,110	9,361,120	0	53,354	0	230,972	1,267,052		15,849,573
Excess (Deficiency) of Revenues Over (Under) Expenditures Before HUD Subsidy	\$10,301	(\$2,608,779)	(\$8,170,591)	\$411,276	\$1,725	\$0	\$35,554	\$200,713		(\$10,098,230)

The Accompanying Footnotes are an Integral Part of These Financial Statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CHANGES IN SURPLUS - ALL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 1999

	-Annual Contribution Contract-		Economic Development and Supportive Services Grant	Tenant Opportunity Program	Youth Sports Grant	Shelter Plus Care Grant	Component Unit		Total Memorandum Only
	C-5010 Public Housing Program	Section 8 Program					Drug Elimination Grant Program	Lorain County Elderly Housing Corporation	
Surplus at July 1, 1998	\$383,649	\$2,455,722	(\$1,722)	(\$21,571)	\$125,000	(\$14,863)	\$3,889,424		\$54,307,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,301	(8,170,691)	1,725	21,571	0	35,554	200,713		(10,098,230)
HUD Operating Subsidy		2,928,672							2,928,672
HUD Contributions For Debt Forgiveness (Note 6)		8,539,653							8,539,653
Comprehensive Grant Program									
1995 CGP		38,718							38,718
1996 CGP		870,866							870,866
1997 CGP		1,445,828							1,445,828
1998 CGP		479,164							479,164
Annual Contribution Earned - Section 8		8,423,507							8,423,507
Actual Modernization Cost Certificate Program									
25 Scattered Sites		10,850							10,850
50 Scattered Sites		242,429							242,429
Prior Period Adjustments/Capitalization Policy Change (Note 12)		(193,802)	0	0	0	0	(8,691)		(202,493)
Ending Surplus Balance at June 30, 1999	\$393,350	\$2,708,638	\$3	\$0	\$125,000	\$20,691	\$4,081,446		\$66,986,384

The Accompanying Footnotes are an Integral Part of These Financial Statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements
June 30, 1999

Note 1 DESCRIPTION OF THE ENTITY

A. Description of the Entity

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

In addition, the Authority participates in the Section 8 - Housing Assistance Payments Program (C-10009). For the existing housing and voucher programs, the Authority provides assistance to modest income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the programs, the Authority enters into housing assistance payments contracts with eligible landlords.

B. Excluded Entities

LMHA is the contract administrator for Concord Manor, Oberlin, Ohio that provides subsidized rents for eligible senior citizens and which is subsidized by the U.S. Department of Housing and Urban Development (HUD). Only the administrative fee earned by LMHA is included in these financial statements. The financial position and operating results of Concord Manor are excluded from these financial statements.

C. Component Unit

The Lorain County Elderly Housing Corporation (LCEHC) a 501(c)(3) not for profit entity is a component unit of the Lorain Metropolitan Housing Authority and is organized for the purpose of providing a comprehensive and coordinated system of services for the elderly in the Lorain County area of northeastern Ohio. As a component unit of LMHA, the financial position and operating results of LCEHC are included in these financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND BASIS OF RESENTATION

D. Basis of Accounting

LMHA's policy is to maintain its accounting records and to prepare its financial statements on the basis of accounting prescribed by the U.S. Department of Housing and Urban Development (HUD) in its Low-Rent Housing Accounting Handbooks (HB-7510-1). The HUD basis of accounting differs from generally accepted accounting principles (GAAP) in the following areas:

- 1) Investment - Investments are stated at historical cost rather than fair value. It is the LMHA policy to hold all investments until maturity. Interest income is recognized at maturity and not accrued at fiscal year end.
- 2) Land, Structures & Equipment & Accumulated Depreciation & Depreciation Expense
Land, structures and equipment are capitalized at original cost, including the capitalization of all indirect costs incurred during project development. Replacements are capitalized at cost and retirements are removed from the accounts at cost. Structures and equipment are not depreciated under the HUD basis of accounting.
- 3) Accrued Leave - LMHA does not record the annual accrued vacation or accrued sick leave of its employees. Sick leave can be carried forward from year to year. Vacation leave cannot be carried forward from one year to the next year. Employees who are terminated received their accrued vacation but do not receive payment for unused accumulated sick leave unless they have accumulated ten years of service with Lorain Metropolitan Housing Authority.
- 4) HUD Contributions - Contributions, including operating subsidies, are made by HUD to offset certain LMHA expenditures. These contributions are credited directly to surplus rather than as part of revenues as required by generally accepted accounting principles and are more fully described as follows:
 - Housing Assistance Payment (HAP) subsidies and Administrative Fees are received by LMHA, subject to certain limitations, for operating of the Section 8 Voucher and Section 8 Certificate Program. The amount of the HAP is determined based upon numerous criteria, including dwelling and family size, tenant income, and market rent.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

- 5) Revenue and Expense Recognition - Contributions and subsidies received from HUD are generally recognized in the Annual Contribution Contract year to which the contribution and subsidy pertains. Tenant rental revenues are recognized during the period of occupancy. Contributions under Comprehensive Grant Program (CGP) are recognized when the expense is earned.
- 6) Recognition of Questioned Costs - Under the HUD basis of accounting, questioned costs are reported as other assets and a component of surplus. When questioned costs are resolved other assets and surplus are reduced accordingly.

Note 3 DEPOSITS

Protection of the LMHA's and LCEHC's cash and investment is provided by the various federal deposit insurance corporations as well as by qualified securities pledged by the institutions holding the assets.

HUD Handbook 7475-1, Chapter 4, Section 1, authorized the PHA to make investments in:

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

At year-end, June 30, 1999, the carrying amount of the LMHA's deposits and its component unit, including restricted family self-sufficiency accounts and tenant security deposits was \$7,035,560 and the bank balance was \$7,167,483, of which:

- 1) \$200,495 was covered by federal depository insurance;
- 2) \$6,795,876 was covered by pledged securities held by the banking institution.
- 3) \$39,189 was not collateralized.

Investments

HUD regulations limit investments to federal instruments and safe investments such as certificates of deposits and repurchase agreements. Purchased investments are recorded at cost. Interest income earned is recognized when the security investment matures.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 3 DEPOSITS (CONTINUED)

Risk Categorization - The Governmental Accounting Standards Board (GASB) Statement No. 3 "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements", require entities to categorize their deposits and investments into one of three credit risk categories. Category 1 includes investments that are held by the LMHA and LCEHC or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agency in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name. In conformity with Statement No. 3, the Corporation has classified all of its investments as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
U.S. Treasury Bills with Lorain National Bank	\$ 95,647	\$ 0	\$287,081	\$ 95,647	\$ 95,647
U.S. Treasury Bills with Federal Reserve Bank				287,081	287,081
U.S. Treasury Money Market Funds - LCEHC	<u>787,790</u>	<u>0</u>	<u>0</u>	<u>787,790</u>	<u>787,790</u>
	<u>\$883,437</u>	<u>\$ 0</u>	<u>\$287,081</u>	<u>\$1,170,518</u>	<u>\$1,846,038</u>

Note 4 RESTRICTED INVESTMENTS

Investments relating to tenant security deposits for the Low Income Public Housing Program and the Lorain Elderly Housing Corporation (a component unit of LMHA) and deposits for tenants of the Low Income Public Housing Program and the Section 8 Certificate Program and the Section 8 Voucher Program who participate in the family self-sufficiency program are restricted for the use of the aforementioned tenants. Tenant security deposits of \$123,824 for the Low Income Public Housing Program and \$30,817 for the Lorain Elderly Housing Corporation are invested in certificates of deposit while family self-sufficiency program funds of \$46,289 for the Low Income Public Housing Program and \$47,347 for the Section 8 Certificate Program and the Section 8 Voucher Program are held in money market checking accounts.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 5 Land, Structures and Equipment

Land, structures and equipment consist of the following:

	Balance at <u>July 1, 1998</u>	<u>Net Change</u>	Balance at <u>June 30, 1999</u>
General and Administration Funds	\$ 260,500	\$ 0	\$ 260,500
Public Housing Program	52,931,171	2,917,762	55,848,941
Section 8 Program	1,019,779	(10,794)	1,008,985
Drug Elimination Grant Program	1,010,608	446,843	1,457,451
Youth Sports Grant	125,000	0	125,000
Lorain County Elderly Housing Corp.	<u>5,860,748</u>	<u>(24,592)</u>	<u>5,836,156</u>
TOTAL (MEMORANDUM ONLY)	<u>\$61,207,814</u>	<u>\$ 3,329,219</u>	<u>\$64,537,033</u>

Note 6 HUD Public Housing Authority Contributions - Debt Forgiveness

The U.S. Department of Housing and Urban Development (HUD) guaranteed project bonds and federal financing bank notes on behalf of LMHA. Annually HUD made interest and principal payments on this debt for LMHA. HUD's payment for this debt was previously recognized on LMHA's financial statements.

GASB Interpretation Number 2 Disclosure of Conduit Debt Obligations indicates that the debt obligations between LMHA and HUD to be conduit debt obligations. Conduit Debt obligations are, "Certain Limited - obligations revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity".

HUD has indicated that money provided to pay annual conduit debt and interest expense be removed from the financial statements and shown as a capital contribution. This contribution is shown in these financial statements as a component and addition to LMHA's ending surplus for the Low Income Public Housing program.

Note 7 BONDS PAYABLE - Lorain County Elderly Housing Corporation - Component Unit

Bank One Ohio Trust Company:

On March 1, 1993 bonds totaling \$5,875,000 were issued. Bank One Ohio Trust Company of Columbus, Ohio was selected to service the debts.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 7 BONDS PAYABLE - Lorain County Elderly Housing Corporation
Component Unit (Continued)

Bank One Ohio Trust Company (Continued):

The bonds issued are fully registered obligations having a minimum denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. The bonds mature on July 15, 2019 (see below for the interest rates). Interest is payable semiannually on January 15 and July 15, commencing July 15, 1993. As of June 30, 1999 the outstanding balance is \$5,290,000.

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

The trustee is responsible for ensuring that all principal and interest expense payments are paid in accordance with the terms specified in the bond indenture agreement.

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

Maturity <u>(July 15)</u>	Principal <u>Amount</u>	Interest <u>Rate (%)</u>	<u>Yield (%)</u>
1999	125,000	5.05	5.25
2000	130,000	5.20	5.40
2001	140,000	5.35	5.55
2002	145,000	5.50	5.70
2003	<u>155,000</u>	5.60	5.80
Subtotal	<u>\$695,000</u>		

An additional \$4,595,000 term bond with an annual interest rate of 6.375% plus accrued interest from March 1, 1994 is due on July 15, 2019.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 8 PENSION PLAN OBLIGATION

Public Employee Retirement System of Ohio (PERS) Plan Description

All employees of LMHA are required to participate in the PERS. It is a cost-sharing multiple-employer defined benefit plan created by the state. PERS provides retirement and disability benefits, annual costs of living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established, and may be amended by the Ohio State Legislative and are codified in Chapter 145 of the Ohio Revised Code (Code). Chapter 145 of the Code assigns the authority to establish and amend benefits to the PERS Board of Trustees. PERS issues a stand-alone financial report. A copy may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

PERS Funding Policy

The Ohio Revised Code provides statutory authority for employer and employee contributions to PERS.

The employee contribution rates to PERS was 8.5% for employees and 13.55% for employers for fiscal year 1999. The LMHA's required contributions to PERS for the years ending June 30, 1999, 1998 and 1997 were \$342,212, \$331,326 and \$297,326 respectively, and are equal to 100% of the dollar amount billed. Required employer contributions are equal to 100% of the dollar amount billed to LMHA.

Note 9 OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, Ohio Law provides that the LMHA fund post-retirement health care benefits through employer contributions to the Public Employee Retirement System (PERS) of Ohio.

The Public Employee Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB). A portion of each employer's contribution to PERS is set aside for the funding of post retirement health

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 9 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

care. The Ohio Revised Code provides statutory authority for employers contributions. The calendar year 1998 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for calendar year 1998.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to PERS.

Other Post Employment Benefits (OPEP) are financed through employer contributions and investment earnings there on. The contributions allocated to retire health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEP during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEP payments were \$9,447,325,318. The number of benefit recipients eligible for OPEP at December 31, 1998 was 115,579.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEP. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for health care coverage.

Note 10 INSURANCE

LMHA comprehensive general liability, fire, and boiler coverage with private carriers for real property and building contents. Vehicle insurance coverage includes liability coverage for bodily injury and property damage. Board of Commissioner's liability insurance and blanket fidelity bonding insurance has been obtained by LMHA.

Note 12 COMPONENT UNIT

The board members of Lorain Metropolitan Housing Authority (LMHA) constitute the majority of the board members of Lorain County Elderly Housing Corporation (LCEHC) a not-for-profit 501-C-3 corporation. LCEHC was created to provide public housing for eligible senior citizens. LMHA has operational control and financial reporting responsibilities for LCEHC. LMHA acts as the managing agent for LCEHC reporting. LCEHC is a component unit of LMHA and the financial activities of LCEHC are included in the financial statements of LMHA.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 12 PRIOR PERIOD AUDIT ADJUSTMENTS

Lorain County Elderly Housing Corporation

The removal of \$25,688 fixed assets from the financial statements because of a change in the capitalization policy of the Corporation to a \$1,000 threshold for capitalizing fixed assets.

Last year's audit report overstated the payment in lieu of tax (PILOT) liability by \$16,997. This was corrected in this year's audit.

The net effect of these two prior period audit adjustments is a decrease of beginning surplus by \$(8,691).

Lorain Metropolitan Housing Authority

The removal of \$193,802 fixed assets from the financial statements of the Public Housing Program because of a change in the capitalization policy of the Corporation to a \$1,000 threshold for capitalizing fixed assets.

Note 13 YEAR 2000 ISSUE

The Lorain Metropolitan Housing Authority (LMHA) has prepared a Year 2000 Readiness Disclosure Statement and a Year 2000 Contingency Plan.

The following areas have been reviewed and tested and remedial action taken, if necessary to ensure that LMHA is Year 2000 compliant.

Computer Hardware, Software and Management Information Systems

Computer hardware, software and management information systems were tested and determined to be compliant or compliant with only minor issues. When necessary new computer equipment upgrades were purchased. In addition to testing computer hardware, software and management information systems, written communications were made with all outside computer vendors.

Accounting Systems

All accounting systems in the following areas were tested for Year 2000 compliance: Tenant Accounting, Accounts Payable, Payroll, Section 8 and Utility Reimbursement (URP) Payments, 50058 and 50059 Submissions, Bad Debt Payments and Cash Management. Alternative manual procedures have been developed to address problems that may be encountered in these computerized records.

LORAIN METROPOLITAN HOUSING AUTHORITY
Footnotes to Financial Statements (Continued)
June 30, 1999

Note 13 YEAR 2000 ISSUE

c) Inventory Control

Back up plans have been developed for handling work orders, inventory controls and ordering of goods or services in the event of computer system problems.

d) Operations and Admissions

Separate contingency plans have been developed to deal with handling tenant admissions and telephone communication issues. Manual procedures have been developed for this area.

e) Maintenance Operations

Maintenance employees will be trained in bypassing and operating critical systems, such as security, fire alarms, lighting, etc. for all LMHA locations. Maintenance personnel will be manned at each of the six high rise buildings from December 31, 1999 until January 1, 2000. Back up generators have been obtained in case there is a loss of electricity. LMHA has obtained written certifications from its major outside suppliers for electricity, gas, water and sewer companies that these entities are Year 2000 compliant.

f) Section 8

Landlords have been notified in writing of their responsibility to provide safe, sanitary and decent housing to tenants. Manual Section 8 forms and files will be updated if necessary to ensure continuous operation of the Section 8 departments.

g) Personnel Availability

No employee vacation will be approved for the period January 3, 2000 through January 7, 2000 to ensure that all necessary employees will be available to deal with any contingencies or problems that may occur because of the Year 2000 issue.

LMHA has expended \$3,027 directly on ensuring its Year 2000 compliance. Indirect costs in employee planning, analyzing and testing systems cannot be quantified but greatly exceed the direct costs incurred in becoming Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effect and the success of related remedial efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that LMHA or its component unit LCEHC's remedial efforts will be successful in whole or in part, or that parties with whom LMHA or LCEHC does business will be Year 2000 ready.

SCHEDULE A

LORAIN METROPOLITAN HOUSING AUTHORITY
 STATEMENT OF COMPLETED ACTUAL MODERNIZATION COST CERTIFICATES (AMCC)
 AS OF JUNE 30, 1999

	(NOTE A)							(NOTE B)		Total Modernization Only
	1975-1982	OH 12 FOI2-907	OH 12 FOI2-908	OH 12 FOI2-909	OH 12 FOI2-910	OH 12 FOI2-911	OH 12 FOI2-912	OH 12 FOI2-913	OH 12 FOI2-914	
Funds Approval (Latest Budget)	\$3,008,680	\$511,280	\$150,000	\$585,000	\$650,000	\$460,000	\$416,000	\$1,135,677	\$2,113,700	\$9,030,337
Funds Advanced	3,008,680	511,280	150,000	585,000	650,000	460,000	416,000	1,135,677	2,113,700	9,030,337
Funds Expended (Actual Modernization Costs)	3,008,680	511,280	150,000	585,000	650,000	460,000	416,000	1,135,677	2,113,700	9,030,337
Difference Between Funds Advanced and Funds Expended	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Note A: All actual modernization cost certificate (AMCC) were completed under the Comprehensive Improvement Assistance Program (CIAP). These AMCC's were completed prior to July 1, 1995.

SCHEDULE B

LORAIN METROPOLITAN HOUSING AUTHORITY
 STATEMENT OF IN-PROCESS ACTUAL DEVELOPMENT COST CERTIFICATES (ADCC)
 AS OF JUNE 30, 1999

	OH12PO12020 50 Scattered Sites	OH12PO12021 25 Scattered Sites	Total Development Only
Latest Approval Budget	\$4,794,000	\$2,470,600	\$7,264,600
Funds Advanced as of June 30, 1999	4,771,629	2,470,600	7,242,229
Funds Remaining as of June 30, 1999	\$22,371	\$0	\$22,371

SCHEDULE C

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF COMPLETED ACTUAL COMPREHENSIVE GRANT COST CERTIFICATES (ACGCC)
AS OF JUNE 30, 1999

	-NOTE A- FO1270192	-NOTE B- FO1270293	-NOTE C- FO1270294	-NOTE D- FO1270495	-NOTE E- FO1270496	TOTAL
Funds Approval (Latest Budget)	\$3,148,520	\$3,586,545	2,986,363	2,732,715	2,496,040	\$14,950,183
Funds Advanced	3,148,520	3,586,545	2,986,363	2,732,715	2,496,040	14,950,183
Funds Expended (ACGCC)	3,148,520	3,586,545	2,986,363	2,732,715	2,496,040	14,950,183
Difference Between Funds Advanced and Funds Expended	\$0	\$0	\$0	\$0	\$0	\$0

NOTE A: This Actual Comprehensive Grant Cost Certificates (ACGCC) was completed prior to July 1, 1995.

NOTE B: This ACGCC was completed by the Lorain Metropolitan Housing Authority and submitted to HUD on April 18, 1996.

NOTE C: This ACGCC was completed by the Lorain Metropolitan Housing Authority and submitted to HUD on November 18, 1997.

NOTE D: This ACGCC was completed by the Lorain Metropolitan Housing Authority during this fiscal year and the final report submitted to HUD on October 12, 1998 and approved by HUD on April 6, 1999.

NOTE E: This ACGCC was completed by the Lorain Metropolitan Housing Authority during this fiscal year and the final report submitted to HUD on May 4, 1999.

NOTE F: As of June 30, 1999, the Lorain Metropolitan Housing Authority had three active Actual Comprehensive Grant Cost Certificates. These were OH12-PO12-707 (CGP for grant period 1997), OH-12-PO12-708 (CGP for grant period 1998) and OH12-PO12-709 (CGP for grant period 1999). The latest budgets for these grants were \$2,534,759 (1997), \$2,697,590 (1998), and \$3,274,051 (1999).

SCHEDULE D

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF STATUS OF OTHER U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FUNDED GRANTS
AS OF JUNE 30, 1999

	NOTE A OHI12DEP0120194 PUBLIC HOUSING DRUG ELIMINATION GRANT	NOTE B OHI12DEP0120195 PUBLIC HOUSING DRUG ELIMINATION GRANT	NOTE C OHI12DEP0120196 PUBLIC HOUSING DRUG ELIMINATION GRANT	NOTE D YOUTH SPORTS PROGRAM	NOTE E OHI12RMBO120195 TENANT OPPORTUNITY TECHNICAL ASSISTANCE GRANT PROGRAM	NOTE F OHI12RMBO12095 TENANT OPPORTUNITY TECHNICAL ASSISTANCE GRANT PROGRAM
FINAL APPROVED BUDGET	\$345,750	\$375,000	\$356,250	\$125,000	\$100,000	\$100,000
FUNDS ADVANCED	345,750	375,000	356,250	125,000	96,747	91,344
FUNDS EXPENDED	345,750	375,000	356,250	125,000	96,747	91,344
DIFFERENCE BETWEEN FUNDS ADVANCED & FUNDS EXPENDED	\$0	\$0	\$0	\$0	\$0	\$0

NOTE A: The Lorain Metropolitan Housing Authority (LMHA) closed out the 1994 Public Housing Drug Elimination Grant (OHI12DEP0120194) on May 29, 1997.
The U.S. Department of Housing and Urban Development accepted this closed out grant on August 22, 1997.

NOTE B: LMHA closed out the 1995 Public Housing Drug Elimination Grant (OHI12DEP01201095) and submitted its final report on February 12, 1998.

NOTE C: LMHA closed out the 1996 Public Housing Drug Elimination Grant (OHI12DEP01201096) on June 4, 1999 and HUD accepted this close out grant on August 17, 1999.

NOTE D: LMHA closed out the Youth Sports Grant and submitted its final report to HUD on August 8, 1997.

NOTE E: LMHA closed out the Technical Assistance Grant Program (TOP) Project number OHI12RMBO120195 on October 23, 1998 and HUD closed out this grant on January 26, 1999. This grant did not receive \$3,253 of its final approved budget. LMHA assumed administrative control of this grant in May 1998. Expenses incurred by Lakeview TOPS prior to May 1998 of \$31,837 were not the responsibility of LMHA.

NOTE F: LMHA closed out the Technical Assistance Grant Program (TOP) Project number OHI12RMBO120295 on October 23, 1998 and HUD closed out this grant on January 26, 1999. This grant did not receive \$8,656 of its final approved budget. LMHA assumed administrative control of this grant in May 1998. Expenses incurred by Southside TOPS prior to May 1998 of \$25,419 were not the responsibility of LMHA.

NOTE G: As of June 30, 1999, LMHA had two active Drug Elimination Grants (OHI12DEP01201097) and (OHI12DEP01201098) with contract amounts of \$377,580 and \$379,080 respectively.

LORAIN METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Project Number Grant Number</u>	<u>CFDA Number</u>	<u>Federal Disbursements/ Expenditures (Note A)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (DIRECT PROGRAM)			
Low Income Housing Assistance Program: _____			
Public Housing - Operating Subsidy		14.850	\$4,824,110
Contribution for Service - Debt Forgiveness		14.850	<u>8,539,653</u>
Subtotal CFDA # 14.850			<u>13,363,763</u>
Comprehensive Grant Program - 1995		14.852	38,718
Comprehensive Grant Program - 1996		14.852	870,866
Comprehensive Grant Program - 1997		14.852	1,445,828
Comprehensive Grant Program - 1998		14.852	479,164
Actual Development Cost Certificates			
50 Scattered Sites		14.852	<u>331,707</u>
Subtotal CFDA # 14.852			<u>3,166,283</u>
Housing Assistance Payment Program: _____			
Section 8 Existing Program (Certificate)	OH12E01200843	14.857	8,277,937
Section 8 Voucher Program	OH12V01200921	14.855	<u>1,191,812</u>
Subtotal Housing Assistance Payment Program			<u>9,469,749</u>
Public and Indian Housing Drug Elimination Grant - 1996	OH12DEPO120196	14.854	66,392
Public and Indian Housing Drug Elimination Grant - 1997	OH12DEPO120197	14.854	292,184
Public and Indian Housing Drug Elimination Grant - 1998	OH12DEPO120198	14.854	<u>52,700</u>
Subtotal CFDA # 14.854			<u>411,276</u>
Sheltered Plus Care		14.238	230,972
Economic Development and Supportive Services		14.864	<u>53,394</u>
Tenant Opportunity Technical Assistance Grant Program CFDA #14.853	OH12RMBO120195 & OH12RMBO12025	14.853	<u>59,207</u>
TOTAL U.S. DEPARTMENT OF HOUSING and URBAN DEVELOPMENT ASSISTANCE			<u>26,754,644</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$26,754,644</u>

NOTE A: The accompanying Schedule of Expenditures of Federal Awards is a summary of the federal grant activity of the Lorain Metropolitan Housing Authority. This schedule has been prepared on the HUD basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the HUD-basis prepared financial statements.

NOTE B: Federal Expenditures for the component unit - Lorain County Elderly Housing Corporation (LCEHC) are excluded from this schedule because these federal expenditures are reported separately in LCEHC's OMB Circular A-133 Single Audit Report.



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

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

We have audited the accompanying balance sheet - all programs of the Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit Lorain County Elderly Housing Corporation (Corporation) as of June 30, 1999 and the related statements of revenues and expenditures and the statement of surplus for the year then ended and have issued our report thereon dated December 23, 1999. 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 and the Public and Independent Housing (PIA) Compliance Supplement - "Guidance for Annual Audits of Public Housing Authorities by Independent Auditors" - issued by the U.S. Department of Housing and Urban Development (PIH-95-27, and PIH-96-33).

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LMHA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

To the Members of the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Page 22

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 employers 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 of the boards of LMHA and LCEHC, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Watson, Rice & Co.

December 23, 1999



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

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

We have audited the Lorain Metropolitan's Housing Authority's compliance and its discretely presented component unit - Lorain County Elderly Housing Corporation's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget OMB-A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 1999. LMHA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LMHA's management. Our responsibility is to express an opinion on the LMHA's compliance based on our audit.

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, OMB-Circular A-133 - "Audits of States Local Governments, and Non-Profit Organizations" and the Public and Independent Housing (PIH) Compliance Supplement - "Guidance for Annual Audits of Public Housing Authorities by Independent Auditors" - issued by the U.S. Department of Housing and Urban Development (PIH-95-27 and PIH-96-33). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LMHA's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe the out audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the LMHA's compliance with those requirements.

In our opinion, LMHA and LCEHC complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

To the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Page 24

Internal Control Over Compliance

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

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

This report is intended for the information of the board of commissioners of LMHA, management and federal awarding agencies and pass through entities. However, this report is a matter of public record and its distribution is not limited.

Watson, Rice & Co.

December 23, 1999

LORAIN COUNTY METROPOLITAN HOUSING AUTHORITY
Summary of Findings and Questioned Costs
For the Year Ended June 30, 1999

SECTION 1 - SUMMARY OF AUDITORS' FINDINGS

Financial Statements

- Type of Financial Statement Opinion - Unqualified. Non-GAAP basis of accounting. HUD basis of Accounting - Other Comprehensive Basis of Accounting (OCBA).

Internal Control Over Financial Reporting

- Material weaknesses identified? - No.
- Reportable conditions identified that are not considered to be material weaknesses? - None reported.
- Noncompliance material to financial statements noted? - No.

Federal Awards

- Material weaknesses identified? - No.
- Reportable conditions identified that are not considered to be material weaknesses? - 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? - No.

Identification of Major Programs

- A. Low Income Housing Assistance Program - CFDA #14.850. Low Risk Type A program.
- B. Comprehensive Grant Program - CFDA #14.852. Low Risk Type A Program.
- C. Public and Indian Housing Drug Elimination Grant - CFDA #14.854. High Risk Type B Program.
- D. Audited 63.32% of total LMHA federal expenses for fiscal year 1999 as major federal programs.
 - Dollar Threshold used for Type A and Type B Programs - \$802,639.
 - Auditee Risk Assessment - Low Risk Auditee because of no material weaknesses or questioned costs for the previous two fiscal year audits.

LORAIN METROPOLITAN HOUSING AUTHORITY
Summary of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

- There were no reportable conditions, material weaknesses or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None for fiscal year 1999.

LORAIN METROPOLITAN HOUSING AUTHORITY
Reporting Status of All Federal Audit Findings From Previous Audits.
For the Fiscal Year Ended June 30, 1999

No outstanding federal audit findings from previous years audits.



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LORAIN METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: JAN 27 2000