

LORAIN METROPOLITAN HOUSING AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2003 and 2002



**Auditor of State
Betty Montgomery**

Board of Commissioners
Lorain Metropolitan Housing Authority
1600 Kansas Avenue
Lorain, Ohio 44052-3366

We have reviewed the Independent Auditor's Report of the Lorain Metropolitan Housing Authority, Lorain County, prepared by Barnes Wendling CPAs, Inc., for the audit period July 1, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 13, 2004

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LORAIN METROPOLITAN HOUSING CORPORATION

Table of Contents

Independent Auditors' Report	1
Managements Discussion and Analysis	3-12
Financial Statements	
Statement of Net Assets	13-14
Statements of Revenue, Expenses and Changes in Net Assets	15
Statements of Cash Flows	16
Notes to Financial Statements	17-33
Supplemental Schedules	
Schedule of Expenditures of Federal Awards	34-35
Combining Balance Sheet (FDS Schedule Format)	36-38
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	39-42
Schedule of Completed Grants/Certificates	43
Schedule of Units Under LMHA Management	44
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	45-46
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	47-48
Schedule of Findings and Questioned Costs	49
Reporting Status of All Federal Audit Findings From Previous Audits	50

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INDEPENDENT AUDITORS' REPORT

September 4, 2003

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

We have audited the accompanying statements of net assets of Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit, Lorain County Elderly Housing Corporation (LCEHC), a not for profit entity, as of June 30, 2003 and 2002 and the related statements of revenue, expenses, and changes in net assets and the statements of cash flows for the fiscal years then ended. These financial statements are the responsibility of the management of Lorain Metropolitan Housing Authority. 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 financial statements referred to above present fairly, in all material respects, the financial position of Lorain Metropolitan Housing Authority as of June 30, 2003 and 2002, 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.

As discussed in Note B, Lorain Metropolitan Housing Authority has implemented, as of June 30, 2003, a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board ("GASB") Statements No. 34 and 37, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The June 30, 2002 financial statements have been restated for the effects of the new financial reporting model.

Certified Public Accountants / Management Consultants

1215 Superior Avenue, Suite 400
Cleveland, Ohio 44114-3289
(216) 566-9000
(216) 566-9321 Fax

5050 Waterford Drive
Sheffield, OH 44035
(440) 934-3850
(440) 934-3950 Fax

To the Board of Commissioners of
Lorain Metropolitan Housing Authority
Lorain, Ohio
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated September 4, 2003 on our consideration of 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. 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.

The Management's Discussion and Analysis information on Pages 3 through 13 is not a required part of the financial statements but is supplemental information required by the Government Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Lorain Metropolitan Housing Authority. The schedule of expenditures of federal awards is presented as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The combining Financial Data Schedule (FDS) is presented for additional analysis as required by the Department of Housing and Urban Development ("HUD"). These schedules are the responsibility of management of Lorain Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Barnes Wendling CPAs, Inc.

Lorain Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2003

The Lorain Metropolitan Housing Authority's (the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 13).

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$.8 million (or 2%) during 2003. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$39.3 million and \$38.5 million for 2003 and 2002 respectively.
- The business-type activities revenue increased by \$2.2 million (or 8%) during 2003, and were \$28.3 million and \$26.1 million for 2003 and 2002 respectively.
- The total expenses, before extraordinary items, of all Authority programs increased by \$1.3 million (or 5%). Total expenses, before extraordinary items, were \$26.1 million and \$24.8 million for 2003 and 2002 respectively.

USING THIS ANNUAL REPORT

This is a different presentation of the Authority's previous financial statements. The following outline of the annual report is provided for your review:

MD&A

~ Management Discussion
and Analysis (new-2003) ~

Financial Statements

~ Enterprise Fund Financial Statements – pgs 13-16 ~
~ Notes to Financial Statements – pgs 17-33 ~

Other Required Supplementary Information

~ Required Supplementary Information pgs 34-45~
(other than MD&A)

Financial Statements

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals “Net Assets”, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as “Current” (convertible into cash within one year), and “Non-current”.

The focus of the Statement of Net Assets (the “Unrestricted Net Assets”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of “Net Assets Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Assets”.

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

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the “Change in Net Assets”, which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, investing activities, and from capital and related financing activities.

The Authority's Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units, that it owns, to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding (previously known as Comprehensive Grant funding) to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a housing assistance payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Drug Elimination Program – This grant program, funded by the Department of Housing and Urban Development, is intended to reduce the use of illegal drugs within the Authority's properties.

New Approach Anti-Drug Program(Component Unit) – This grant program, funded by the Department of Housing and Urban Development, is intended to provide funding to owners of certain housing developments to augment security, assist in the investigation and prosecution of drug-related criminal activity and provide funds for capital improvements relating to enhancing security.

Resident Opportunities and Self-Sufficiency Program – This grant program, funded by the Department of Housing and Urban Development, is intended to assist residents to become economically self sufficient by providing supportive services and resident empowerment activities.

Shelter Plus Care Program – This grant program, funded by the Department of Housing and Urban Development, is designed to link rental assistance to supportive services for hard-to-reach homeless persons with disabilities (primarily those who are seriously mentally ill; have chronic problems with alcohol, drugs or both; or have acquired immunodeficiency syndrome (AIDS) and related diseases) and their families.

Component Unit – The Lorain County Elderly Housing Corporation(LCEHC), a 501(c)(3) not for profit entity, was organized for the purpose of providing a comprehensive and coordinated system of services for the elderly in the Lorain County area of northeastern Ohio. LCEHC consists of two 100 unit apartment complexes, located in Elyria and Lorain.

Business Activities – These non-HUD resources were developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

STATEMENT OF NET ASSETS (In millions)

	2003	2002
Current and other assets	\$ 12.5	\$11.2
Capital assets	34.8	33.8
Total assets	<u>47.3</u>	<u>45.0</u>
Current liabilities	3.1	1.5
Long-term liabilities	4.9	5.0
Total liabilities	<u>8.0</u>	<u>6.5</u>
Net assets:		
Invested in capital assets, Net of related debt	31.7	30.5
Restricted	1.0	1.0
Unrestricted	6.6	7.0
Total net assets	<u>\$39.3</u>	<u>\$38.5</u>

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets were increased by \$1.3 million while current liabilities were increased by \$1.6 million. Current assets (primarily cash and investments) were increased generally by the day-to-day operating activities of the Housing Choice Voucher Program and the Conventional Public Housing Program. Current liabilities increased primarily due to the \$1.4 million Housing Choice Voucher recapture of accumulated administrative fees earned. For more detail see "Notes to the Financial Statement - Extraordinary Items".

Capital assets also changed significantly, increasing from \$33.8 million to \$34.8 million. The \$1 million increase may be attributed primarily to a combination of acquisitions (\$3.6 million), less current year depreciation (\$2.6 million). For more detail see "Capital Assets and Debt Administration".

CHANGE OF UNRESTRICTED NET ASSETS
(In millions)

Unrestricted Net Assets 6/30/02	\$ 7.0
Results of Operations	.8
Adjustments:	
Depreciation (1)	<u>2.5</u>
Adjusted Results from Operations	3.3
Capital Expenditures	<u>(3.6)</u>
Unrestricted Net Assets 6/30/03	<u><u>\$ (6.7)</u></u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

While the results of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(In millions)

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2003	2002
Revenues		
Tenant revenue - rents and other	\$2.4	\$2.4
Operating subsidies and grants	21.7	20.6
Capital grants	3.5	1.8
Investment income	0.3	0.5
Other revenues	0.4	0.8
Total revenues	28.3	26.1
Expenses		
Administrative	3.2	3.0
Tenant services	0.2	0.3
Utilities	1.5	1.3
Maintenance	2.7	2.6
Protective services	0.5	0.4
General	0.9	0.9
Housing assistance payments	14.5	13.9
Depreciation	2.6	2.4
Total expenses before extraordinary item	26.1	24.8
Extraordinary Item	1.4	0.0
Total expenses after extraordinary item	27.5	24.8
Net increase	\$0.8	\$1.3

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

Tenant revenue remained stable.

Operating Subsidies, Grants and Capital Grants increased \$2.8 million. This increase was due to an increase in Housing Choice Voucher payments and a higher level of activity in the areas of capital grants. The Authority is under-taking an aggressive modernization program.

Total Expenses after extraordinary items increased \$1.4 million due to the recapture of the administrative fee reserves as required by the FY03 Omnibus Appropriations bill as reflected by the extraordinary item. Another factor affecting the total expenses was the

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)

increase in the housing assistance payments Most other expenses increased moderately due to inflation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had 34.8 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$1 million from the end of last year.

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)
(In millions)**

	2003	2002
Land	\$5.0	\$5.0
Buildings	60.7	56.7
Office equipment	0.6	0.6
Maintenance equipment	0.3	0.3
Vehicles	0.6	0.6
Construction in progress	0.6	1.0
Less: accumulated depreciation	<u>(33.0)</u>	<u>(30.4)</u>
Total	<u><u>\$34.8</u></u>	<u><u>\$33.8</u></u>

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes on fixed assets.

CHANGE IN CAPITAL ASSETS (In millions)

	Business Type Activities
Beginning balance	\$33.8
Additions	3.6
Retirements - net	0.0
Depreciation	<u>(2.6)</u>
Ending balance	<u><u>\$34.8</u></u>

This year's major additions are:

Business – Type Activities

Capital Improvements Programs (modernization completed on variety of the Authority's Public Housing complexes)	\$3.5
Equipment purchases	\$0.1

Debt Outstanding

As of the year-end, the Authority's component unit had \$4.8 in debt (bonds) outstanding compared to \$4.9 last year, a \$.1 decrease (debt retirement). No other debt was outstanding.

OUTSTANDING DEBT, AT YEAR-END (In millions)

Business Type	2003	2002
Refinance of construction & acquisition	\$4.8	\$4.9
Less: Current portion	<u>(0.2)</u>	<u>(0.1)</u>
Refinance of construction & acquisition	<u><u>\$4.6</u></u>	<u><u>\$4.8</u></u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development and the subsidies provided to the Authority by the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, employee health care costs, insurances, rents, supplies and other costs.

FINANCIAL CONTACT

Information regarding this report can be obtained by contacting the Finance Director of the Lorain Metropolitan Housing Authority. Specific requests may be submitted to Finance Director, Lorain Metropolitan Housing Authority, 1600 Kansas Avenue, Lorain, OH 44052.

LORAIN METROPOLITAN HOUSING AUTHORITY

Statement of Net Assets

	June 30, 2003			Restated June 30, 2002		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
ASSETS						
Current Assets						
Cash and equivalents:						
Cash and cash equivalents	\$ 7,404,901	\$ 2,612,408	\$10,017,309	\$ 6,181,913	\$ 2,629,403	\$ 8,811,316
Cash - restricted	126,203		126,203	98,057		98,057
Cash - tenant security deposits	138,089	36,789	174,878	136,398	36,555	172,953
	<u>7,669,193</u>	<u>2,649,197</u>	<u>10,318,390</u>	<u>6,416,368</u>	<u>2,665,958</u>	<u>9,082,326</u>
Accounts and notes receivables:						
Accounts receivable - PHA projects			0	4,967		4,967
Accounts receivable - HUD other projects	892,313	1,233	893,546	642,247	10,737	652,984
Accounts receivable - miscellaneous	5,633	5,997	11,630	4,550		4,550
Accounts receivable - tenants net	63,047	3,374	66,421	45,197	5,579	50,776
Fraud recovery receivable	48,082		48,082	103,971		103,971
	<u>1,009,075</u>	<u>10,604</u>	<u>1,019,679</u>	<u>800,932</u>	<u>16,316</u>	<u>817,248</u>
Investments - restricted		860,005	860,005		836,895	836,895
Inventories net	232,556		232,556	246,157		246,157
Prepaid expenses and other assets	72,015	4,700	76,715	69,178	1,789	70,967
Interprogram due from other entities	8,724		8,724	149,831		149,831
TOTAL CURRENT ASSETS	<u>8,991,563</u>	<u>3,524,506</u>	<u>12,516,069</u>	<u>7,682,466</u>	<u>3,520,958</u>	<u>11,203,424</u>
NonCurrent Assets						
Land, structures, and equipment	61,040,761	6,747,659	67,788,420	57,495,289	6,745,091	64,240,380
Less accumulated depreciation	<u>(29,545,027)</u>	<u>(3,421,112)</u>	<u>(32,966,139)</u>	<u>(27,203,677)</u>	<u>(3,255,233)</u>	<u>(30,458,910)</u>
	<u>31,495,734</u>	<u>3,326,547</u>	<u>34,822,281</u>	<u>30,291,612</u>	<u>3,489,858</u>	<u>33,781,470</u>
TOTAL NONCURRENT ASSETS	<u>31,495,734</u>	<u>3,326,547</u>	<u>34,822,281</u>	<u>30,291,612</u>	<u>3,489,858</u>	<u>33,781,470</u>
TOTAL ASSETS	<u>\$40,487,297</u>	<u>\$6,851,053</u>	<u>\$47,338,350</u>	<u>\$37,974,078</u>	<u>\$7,010,816</u>	<u>\$44,984,894</u>

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING AUTHORITY

Statement of Net Assets

	June 30, 2003			Restated June 30, 2002		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 582,342	\$ 17,503	\$ 599,845	\$ 336,140	\$ 31,064	\$ 367,204
Accrued wages and payroll taxes	166,892	11,072	177,964	140,849	10,795	151,644
Accrued compensated absences	135,754	8,295	144,049	139,529	7,280	146,809
Accrued interest payable		138,239	138,239		142,000	142,000
Accounts payable - HUD PHA programs	1,382,267		1,382,267	21,067		21,067
Accounts payable - PHA projects	284		284			0
Accounts payable - PILOT and other	44,726	21,894	66,620	50,241	24,244	74,485
Tenant security deposits	138,089	36,789	174,878	136,398	36,555	172,953
Current portion of long-term debt		155,000	155,000		145,000	145,000
Other current liabilities	248,882	0	248,882	97,284	200	97,484
Interprogram due to other entities	2	8,724	8,726		149,831	149,831
TOTAL CURRENT LIABILITIES	2,699,238	397,516	3,096,754	921,508	546,969	1,468,477
NonCurrent Liabilities						
Long-term debt, net of current portion		4,595,000	4,595,000		4,750,000	4,750,000
Accrued compensated absences	140,364	9,278	149,642	98,464	8,103	106,567
Noncurrent liabilities-FSS escrow and others	171,884		171,884	199,964		199,964
TOTAL NON CURRENT LIABILITIES	312,248	4,604,278	4,916,526	298,428	4,758,103	5,056,531
TOTAL LIABILITIES	3,011,486	5,001,794	8,013,280	1,219,936	5,305,072	6,525,008
NET ASSETS						
Contributed capital:						
Invested in capital assets, net of related debt	31,495,734	175,804	31,671,538	30,291,612	194,115	30,485,727
Restricted net assets	126,203	860,005	986,208	98,057	836,895	934,952
Unrestricted net assets	5,853,874	813,450	6,667,324	6,364,473	674,734	7,039,207
TOTAL NET ASSETS	37,475,811	1,849,259	39,325,070	36,754,142	1,705,744	38,459,886
TOTAL LIABILITIES AND NET ASSETS	\$40,487,297	\$6,851,053	\$47,338,350	\$37,974,078	\$7,010,816	\$44,984,894

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING AUTHORITY

Statement of Revenue, Expenses, and Changes in Net Assets

	June 30, 2003			Restated June 30, 2002		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
Operating Revenue						
Net tenant rental revenue	\$ 1,810,054	\$ 470,979	\$ 2,281,033	\$ 1,749,805	\$ 463,917	\$ 2,213,722
Tenant revenue-other	134,102	2,629	136,731	145,340	9,750	155,090
	<u>1,944,156</u>	<u>473,608</u>	<u>2,417,764</u>	<u>1,895,145</u>	<u>473,667</u>	<u>2,368,812</u>
HUD PHA operating grants	20,896,630	824,822	21,721,452	19,834,872	751,324	20,586,196
Capital grants	3,492,131	1,264	3,493,395	1,807,809	40,181	1,847,990
Fraud recovery receivable	35,282	0	35,282	38,075		38,075
Other revenue	330,986	7,115	338,101	405,427	1,000	406,427
Gain(loss) on the sale of fixed assets	(119)		(119)	335,976		335,976
	<u>26,699,066</u>	<u>1,306,809</u>	<u>28,005,875</u>	<u>24,317,304</u>	<u>1,266,172</u>	<u>25,583,476</u>
Operating Expenses						
Administrative	2,965,871	243,755	3,209,626	2,804,388	234,230	3,038,618
Tenant services	240,041	5,669	245,710	290,261		290,261
Utilities	1,217,609	241,316	1,458,925	1,077,837	207,899	1,285,736
Ordinary maintenance and operation	2,532,138	215,900	2,748,038	2,360,604	267,256	2,627,860
Protective services	449,624	24,383	474,007	331,394	23,530	354,924
Insurance premiums	197,490	16,733	214,223	142,448	8,363	150,811
Other general expenses	0		0	8		8
Payments in lieu of taxes	45,154	21,894	67,048	50,663	24,244	74,907
Bad debt-tenant rents	66,471	4,666	71,137	46,807	(837)	45,970
Severance expense	15,648		15,648	57,569		57,569
Extraordinary maintenance	218,633		218,633	205,195	1,753	206,948
Casualty losses - non-capitalized	5,923		5,923	30,892	(200)	30,692
Housing assistance payments	14,450,564		14,450,564	13,948,339		13,948,339
Depreciation expense	2,383,327	165,875	2,549,202	2,188,791	160,273	2,349,064
Total operating expenses	<u>24,788,493</u>	<u>940,191</u>	<u>25,728,684</u>	<u>23,535,196</u>	<u>926,511</u>	<u>24,461,707</u>
Operating income	1,910,573	366,618	2,277,191	782,108	339,661	1,121,769
Nonoperating revenues(expenses)						
Extraordinary Item	(1,366,416)		(1,366,416)			0
Investment income - unrestricted	174,242	68,963	243,205	293,210	147,620	440,830
Investment income - restricted	3,270	9,772	13,042	11,901	17,340	29,241
Interest expense	0	(301,838)	(301,838)	(12,990)	(310,331)	(323,321)
Total nonoperating revenue(expense)	<u>(1,188,904)</u>	<u>(223,103)</u>	<u>(1,412,007)</u>	<u>292,121</u>	<u>(145,371)</u>	<u>146,750</u>
Change in net assets	721,669	143,515	865,184	1,074,229	194,290	1,268,519
Total net assets-beginning	36,754,142	1,705,744	38,459,886	35,679,913	1,511,454	37,191,367
Total net assets-ending	<u>\$37,475,811</u>	<u>1,849,259</u>	<u>39,325,070</u>	<u>\$36,754,142</u>	<u>1,705,744</u>	<u>38,459,886</u>

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Cash Flows

	Years Ended June 30,					
	2003			Restated 2002		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
CASH FLOWS FROM OPERATING ACTIVITIES						
Tenant revenue received	\$1,926,306	\$475,813	\$2,402,119	\$1,874,401	\$469,578	\$2,343,979
Other revenue received	427,613	1,352	428,965	790,490	3,147	793,637
General and administrative expenses paid	(21,970,961)	(790,867)	(22,761,828)	(21,550,436)	(845,728)	(22,396,164)
Net cash provided by or (used) in operating activities	(19,617,042)	(313,702)	(19,930,744)	(18,885,545)	(373,003)	(19,258,548)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES						
Government operating grants received	21,141,973	834,326	21,976,299	18,225,139	740,587	18,965,726
Increase/decrease in due to/due from related entity	141,109	(141,107)	2	(183,999)	183,999	0
Net cash provided by or (used) in financing activities	21,283,082	693,219	21,976,301	18,041,140	924,586	18,965,726
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Government capital grants received	2,996,722	1,264	2,997,986	1,716,088	40,181	1,756,269
Purchases of land, structures and equipment	(3,587,970)	(2,568)	(3,590,538)	(1,794,515)	(367,796)	(2,162,311)
Payments to retire long term debt	0	(145,000)	(145,000)	0	(140,000)	(140,000)
Interest paid	0	(305,599)	(305,599)	(12,990)	(313,331)	(326,321)
Disposal of land, structures and equipment	521	0	521	35,265	0	35,265
Net cash provided by or (used) in capital and related financing activities	(590,727)	(451,903)	(1,042,630)	(56,152)	(780,946)	(837,098)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	0	(1,480,440)	(1,480,440)	0	(1,393,389)	(1,393,389)
Proceeds from sale of investments	0	1,457,330	1,457,330	2,151,856	1,419,807	3,571,663
Interest received	177,512	78,735	256,247	422,660	165,707	588,367
Net cash provided by or (used) in investing activities	177,512	55,625	233,137	2,574,516	192,125	2,766,641
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,252,825	(16,761)	1,236,064	1,673,959	(37,238)	1,636,721
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,416,368	2,665,958	9,082,326	4,742,409	2,703,196	7,445,605
CASH AND CASH EQUIVALENTS - END OF YEAR	\$7,669,193	\$2,649,197	\$10,318,390	\$6,416,368	\$2,665,958	\$9,082,326
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Change in net assets	721,669	143,515	865,184	1,074,229	194,290	1,268,519
Adjustments to change in net assets						
HUD PHA operating grants	(20,896,630)	(824,822)	(21,721,452)	(19,834,872)	(751,324)	(20,586,196)
Capital Grants	(3,492,131)	(1,264)	(3,493,395)	(1,807,809)	(40,181)	(1,847,990)
Interest income/expense	(177,512)	223,103	45,591	(292,121)	145,371	(146,750)
Add back non-cash items:						
Depreciation expense	2,383,327	165,879	2,549,206	2,188,791	160,273	2,349,064
Decrease (Increase) in Operating Assets						
Accounts Receivable	41,923	(3,792)	38,131	(15,642)	(2,859)	(18,501)
Prepaid Expenses	(2,837)	(2,911)	(5,748)	(2,664)	76	(2,588)
Inventory	13,601	0	13,601	(2,643)		(2,643)
	52,687	(6,703)	45,984	(20,949)	(2,783)	(23,732)
Increase (Decrease) in operating Liabilities						
Accounts Payable	1,607,686	(13,561)	1,594,125	(91,768)	(88,033)	(179,801)
Accrued Liabilities	189,377	2,501	191,878	(88,032)	7,299	(80,733)
Other Liabilities	(5,515)	(2,350)	(7,865)	(13,014)	2,085	(10,929)
	1,791,548	(13,410)	1,778,138	(192,814)	(78,649)	(271,463)
Net Cash Used from Operating Activities	<u>(\$19,617,042)</u>	<u>(\$313,702)</u>	<u>(\$19,930,744)</u>	<u>(\$18,885,545)</u>	<u>(\$373,003)</u>	<u>(\$19,258,548)</u>

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE A - DESCRIPTION OF THE ENTITY

The Lorain Metropolitan Housing Authority ("LMHA") is a political subdivision organized under laws of the State of Ohio. LMHA is responsible for operating certain low - rent housing programs in Lorain County under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

Reporting Entity

The accompanying general purpose financial statements comply with the provisions of GASB Statement 14 ("Statement"), "The Financial Reporting Entity", in that financial statements include all organizations, activities and functions for which LMHA is financially accountable. Under this Statement, the financial reporting entity 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. Under the definition of GASB Statement Number 14, the Lorain County Elderly Housing Corporation (LCEHC) a 501(c)(3) not for profit entity is a component unit of LMHA.

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 LMHA and the United States Department of Housing and Urban Development (HUD), LMHA 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) maintain "the low-rent character of such housing".

In addition, LMHA participates in the Section 8 - Housing Assistance Payments Program (C-10009). Under the Section 8 housing program, LMHA provides assistance to low and moderate income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under these programs, LMHA enters into housing assistance payments ("HAP") contracts with eligible landlords. Under a HAP contract, landlords are provided with subsidies for the difference between the contract rent and the amount payable by the Section 8 tenants.

LMHA owns and operates an eight-unit apartment complex ("Complex") with an attached car wash. LMHA does not receive federal financial assistance to operate this Complex. Revenue received from the Complex is recorded in business activities in the supplemental schedules. Management fees earned by LMHA are also recorded in business activities.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE A - DESCRIPTION OF THE ENTITY (CONTINUED)

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.

All three Board members of the LCEHC are also members of the Board of Commissioners of LMHA. LCEHC is a component unit of LMHA and the financial results and financial activity of the LCEHC are included as part of the financial statements of LMHA. A separate financial statement is issued for LCEHC.

LMHA acts as managing agent for the LCEHC and performs all financial and operating functions for the LCEHC except for those administrative duties performed by the Trustee. The LCEHC pays LMHA a managing fee for the services rendered.

Joint Venture

LMHA is a member of Housing Authority Property Insurance, Inc. ("HAPI"). HAPI is a nonprofit, tax-exempt mutual insurance company that is wholly owned by public housing authority members. HAPI is a captive insurance company formed pursuant to the Vermont Captive Insurance Companies Act. It provides property insurance to public housing authorities and public housing and redevelopment authorities throughout the United States. Due to the lack of significant oversight responsibility accountability of the LMHA's Board of Commissioners for actions, operations, and fiscal matters of HAPI, the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within LMHA's reporting entity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

LMHA has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Under the GAAP basis of accounting, revenues and expenses are recognized in the period earned or incurred. All transactions of LMHA are accounted for in an enterprise fund. This presentation is used to reflect operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective June 30, 2003, LMHA implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, an amendment of GASB Statements No. 21 and No. 34, and Statement No. 38, *Certain Financial Statement Disclosures*. These statements revised accounting and reporting standards for financial reporting by governmental units. LMHA follows the business-type activities reporting requirements of GASB Statement No. 34. The financial statements for the year ended June 30, 2002 were restated for the effects of these new statements. The implementation of these GASB statements did not have a material effect to the beginning nets of LMHA.

In accordance with Statement Number 20 of the Government Accounting Standards Board (GASB No. 20) "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting," LMHA has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. LMHA will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

The significant accounting policies under which the financial statements have been prepared are as follows:

Cash and Cash Equivalents

Highly liquid investments are considered to be cash and cash equivalents.

Allowance for Doubtful Accounts - Bad Debt Expenses

With the Board of Commissioners approval, LMHA and its component unit LCEHC write-off unpaid tenants' accounts receivable balances for which there has been no payment activity for 60 days and for which an outstanding balance remains.

At June 30, 2003 and 2002, the allowance for doubtful accounts was \$8,402 and \$7,000 for LMHA, respectively and \$380 and \$1,300 for LCEHC, respectively.

Fraud Recovery Receivable

Fraud recovery receivable represents the full amount of the accounts receivable from tenants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent. As collection of these accounts receivables are questionable, the revenues associated with these accounts receivables have been deferred. Revenue will be recognized when collection is assured.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments for both LMHA and LCEHC consist of certificates of deposits, U. S. Treasury Bills, and other federal government financial instruments. Investments are reported at fair market value.

Investments - Restricted

Restricted investments for LMHA represent amounts received from tenants for either security deposits or the family self sufficiency (FSS) program which are deposited into escrow accounts.

Restricted investments for LCEHC represent tenant security deposits and amounts held by the trustee for the retirement of LCEHC debt and for other escrow accounts. Tenant security and FSS deposits are restricted by HUD regulations and can only be used to refund deposits, unless forfeited.

Trustee restricted investments can only be released to LCEHC with trustee approval.

Inventory

Inventory is valued using an average costing method. Expense is recorded based upon consumption.

At June 30, 2003 and 2002, the allowance for obsolete inventory was \$6,232 and \$100, respectively.

Land, Property and Equipment

Land, property and equipment are recorded at cost. Property and equipment are depreciated over the estimated useful lives of the assets. Depreciation is computed using the straight line method. Useful lives of assets are:

Buildings	40 Years
Computer equipment	3 Years
Vehicles	5 Years
Office equipment	5 Years
Other equipment	5 - 10 Years
Leasehold improvements	15 Years

Only items with a unit cost of \$1,000 or more are capitalized and depreciated.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

LMHA and its component unit LCEHC account for compensated absences in accordance with GASB Statement Number 16.

Vacation leave earned at the end of the fiscal year (June 30), is accrued based on the employee hourly rate multiplied by the employee vacation hour balance. Vacation leave can not be carried forward from the end of the calendar year to the beginning of the next calendar year, unless specifically approved by the Board of Commissioners. Employees are not eligible to receive monetary compensation for vacation leave in lieu of time off. LMHA and LCEHC record a liability for all vacation leave earned.

Sick leave balances are subject to payment to the employee only after ten (10) years of service at LMHA. Employee sick leave payments are equal to 50% of the employee's available sick time hour, up to a maximum to 960 hours. LMHA and LCEHC record a liability for unused sick leave to the extent that it is probable that payment will be made.

Interprogram Due To and Due From Other Entities

Payables and receivables between LMHA and LCEHC, which occur due to the disbursements of expenses utilizing centralized checking accounts, are shown as either an Interprogram Due from other Entities (asset) or an Interprogram Due to other Entities (liability). These balances are current and paid within the year. Interprogram eliminations were made when combining balance sheets from the Financial Data Schedule to the Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses at and during the reported period. Actual results could differ from those estimates.

Budgetary Accounting

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

Reclassifications

Certain reclassifications have been made to the June 30, 2002 financial statements to conform with the June 30, 2003 presentation.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE C - DEPOSITS AND INVESTMENTS

Legal Requirements

GASB Statement Number 40, *Deposit and Investment Risk Disclosures* and amendment of GASB Statement Number 3, will be effective for the year ending June 30, 2005 for LMHA.

The deposit and investment of LMHA's and its component unit LCEHC monies are governed by the provisions of the Ohio Revised Code (ORC) and HUD regulations. Only banks or associations as defined in the ORC are eligible to hold public deposits. According to State of Ohio regulations, LMHA and LCEHC are permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, state and local government investment pools, direct obligations of the Federal Government, obligations of Federal Government Agencies and Securities Federal Government Agencies. These investments must mature within three years of their purchase. LMHA and LCEHC may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

Under Ohio law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities established by the financial institution to secure the repayment of all public monies deposited with the institution. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in LMHA's and LCEHC's name.

Under Ohio law LMHA and LCEHC are prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). LMHA and LCEHC are also prohibited from investing in reverse purchase agreements under State of Ohio law.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes LMHA and LCEHC 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

To demonstrate its custodial credit risk with deposits and investments and compliance with the Ohio Revised Code and HUD regulations, LMHA and its component unit LCEHC follow Governmental Accounting Standards Board Statement No. 3 (GASB No. 3), which has established custodial credit risk categories for deposits and investments:

Deposits

- Category 1 Insured or collateralized with securities held by LMHA and LCEHC or by its agent in the name of LMHA or LCEHC.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in LMHA or LCEHC's name.
- Category 3 Uncollateralized as defined by the GASB (Securities pledged with the pledging financial institution's trust department or agent, but not in LMHA or LCEHC's name).

Investments

- Category 1 Insured or registered, or securities held by the LMHA and LCEHC or its agent in LMHA or LCEHC's name.
- Category 2 Uninsured or unregistered, with securities held by the LMHA and LCEHC or its agent in LMHA or LCEHC's name.
- Category 3 Uninsured or unregistered, with securities held by the counterparty's or by its trust department or agent but not in LMHA or LCEHC's name.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

The combined carrying amount of both LMHA's and its component unit LCEHC's deposits, including restricted family self-sufficiency accounts and tenant security deposits, was \$10,318,390 and \$9,082,326 at June 30, 2003 and 2002, respectively, and the bank balance was \$10,464,976 and \$9,193,854 at June 30, 2003 and 2002, respectively. The difference represents outstanding checks and other in transit transactions of the bank balance.

- (1) \$100,000 was covered by federal depository insurance at June 30, 2003 and 2002.
- (2) \$10,364,976 and 9,093,854 was covered by pledged securities held in joint custody at June 30, 2003 and 2002 respectively.
- (3) Accounts in the name of LMHA and LCEHC and the pledging financial institution held by the Federal Reserve Bank of Cleveland, Ohio.

Investments

Investments - LMHA's and LCEHC's investments are identified by risk category as follows:

LCEHC				
Risk Category				
June 30, 2003				
<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>FV</u>
Bank One trust funds	-	\$ 860,005	-	\$ 860,005
Total LCEHC	<u>\$ -</u>	<u>\$ 860,005</u>	<u>\$ -</u>	<u>\$ 860,005</u>
June 30, 2002				
<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>FV</u>
Bank One trust funds	-	\$ 836,895	-	\$ 836,895
Total LCEHC	<u>\$ -</u>	<u>\$ 836,895</u>	<u>\$ -</u>	<u>\$ 836,895</u>

No investments were held by LMHA at June 30, 2003 or June 30, 2002, respectively.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

A reconciliation of cash and investments as shown on combining balance sheet follows:

	June 30, 2003		
	LMHA	LCEHC	Total
Unrestricted cash and cash equivalents	\$7,404,901	\$2,612,408	\$10,017,309
Unrestricted investments			
Restricted cash and investment - tenant security deposits and FSS deposits	264,292	36,789	301,081
Restricted investments - Trustee and endowment fund	0	860,005	860,005
Total	7,669,193	3,509,202	11,178,395
Carrying amounts of deposits	\$7,669,193	\$2,649,197	\$10,318,390
Carrying amounts of investments	0	860,005	860,005
Total	\$7,669,193	\$3,509,202	\$11,178,395
	June 30, 2002		
	LMHA	LCEHC	Total
Unrestricted cash and cash equivalents	\$6,181,913	\$2,629,403	\$8,811,316
Unrestricted investments			
Restricted cash and investment - tenant security deposits and FSS deposits	234,455	36,555	271,010
Restricted investments - Trustee and endowment fund	0	836,895	836,895
Total	6,416,368	3,502,853	9,919,221
Carrying amounts of deposits	\$6,416,368	\$2,665,958	\$9,082,326
Carrying amounts of investments	0	836,895	836,895
Total	\$6,416,368	\$3,502,853	\$9,919,221

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE D - RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES

LMHA and its component unit LCEHC had the following restricted cash and investments and related reserves:

Lorain Metropolitan Housing Authority

	June 30,	
	2003	2002
Business Activities		
Other Non-Hud reserves	\$ 2,225	\$ 2,755
Low Rent Public Housing		
Tenant security deposits	135,864	133,643
Family self-sufficiency escrow deposits	20,626	20,169
Section 8 Program		
Family self-sufficiency escrow deposits	105,577	77,888
Total Lorain Metropolitan Housing Authority	\$264,292	\$234,455

Lorain County Elderly Housing Corporation

	June 30,	
	2003	2002
Tenant security deposits	\$ 36,789	\$ 36,555
Trustee reserves as follows:		
Cumulative reserve fund	81,139	91,459
Replacement reserve fund	180,703	147,913
Tax and insurance fund	18,062	23,357
Reserve account	6,131	6,040
Interest account	151,470	154,793
Principal account	154,167	145,000
Debt service fund	268,333	268,333
Total Lorain County Elderly Housing Corporation	\$896,794	\$873,450

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE E - FIXED ASSETS

The following is a summary of fixed assets:

Lorain Metropolitan Housing Authority

	July 1, 2002	Additions	Deletions	June 30, 2003
Land	\$ 4,636,058	-	-	\$ 4,636,058
Buildings	50,424,829	\$ 3,967,886	-	54,392,715
Office Equipment	547,118	55,282	\$(33,198)	569,202
Maintenance Equipment	236,255	32,653	(9,300)	259,608
Vehicles	611,438	12,255	-	623,693
Construction in progress	1,039,591	(480,106)		559,485
Total	57,495,289	3,587,970	(42,498)	61,040,761
Less: Accumulated depreciation	(27,203,677)	(2,383,326)	41,977	(29,545,026)
Total	\$30,291,612			\$31,495,735

Lorain County Elderly Housing Corporation

	July 1, 2002	Additions	Deletions	June 30, 2003
Land	\$ 377,929	-	-	\$ 377,929
Buildings	6,312,729	\$ 10,185	-	6,322,914
Office equipment	25,703	-	-	26,967
Maintenance equipment	19,849	1,264	-	19,849
Construction in progress	8,882	(8,882)		-
Total	6,745,092	2,567	-	6,747,659
Less: Accumulated depreciation	(3,255,237)	(165,875)	-	(3,421,112)
Total	\$3,489,855			\$3,326,547

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE F - DEBT & LEASE OBLIGATIONS

Lorain County Elderly Housing Corporation Bonds

On March 1, 1993 bonds totaling \$5,875,000 were issued. 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. Interest is payable semiannually on January 15th and July 15th.

The bonds are secured as to payment by all Project (two buildings owned by LCEHC) 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 rate are shown below:

<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>	<u>Interest Rate(%)</u>	<u>Yield(%)</u>
2003	\$ 155,000	\$ 301,611	\$ 456,611	5.600%	5.800%
2004	165,000	292,931	457,931	6.375%	6.454%
2005	175,000	282,413	457,413	6.375%	6.454%
2006	185,000	271,256	456,256	6.375%	6.454%
2007	195,000	259,463	454,463	6.375%	6.454%
2008	210,000	247,031	457,031	6.375%	6.454%
2009-2013	1,275,000	1,015,219	2,290,219	6.375%	6.454%
2014-2018	1,740,000	55,436	1,795,436	6.375%	6.454%
2019	650,000	41,438	691,438	6.375%	6.454%
Total	<u>\$4,750,000</u>	<u>\$2,766,798</u>	<u>\$7,516,798</u>		

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE F - DEBT & LEASE OBLIGATIONS (CONTINUED)

A reconciliation of long term liabilities are shown below:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Balance at July 1, 2001	\$ 0	\$ 4,895,000	\$4,895,000
Increase in long term liabilities	0	0	0
Decrease in long term liabilities	0	145,000	145,000
Balance at June 30, 2002	<u>\$ 0</u>	<u>\$4,750,000</u>	<u>\$4,750,000</u>
Increase in long term liabilities	0	0	0
Decrease in long term liabilities	0	155,000	155,000
Balance at June 30, 2003	<u>\$ 0</u>	<u>\$ 4,595,000</u>	<u>\$4,595,000</u>

Short Term Debt

The Authority has not engaged in short-term borrowing as characterized by GASB Statement Number 38 and therefore has no short-term debt obligations for the years ended June 30, 2003 and 2002, respectively.

Lease Obligations

The Authority leases office equipment under various operating leases. Total expense recognized under these operating leases was \$20,140 and \$16,645 for the years ended June 30, 2003 and 2002, respectively.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Office Equipment</u>
2003	\$20,140
2004	14,409
2005	10,758
2006	6,137
2008	0
	<u>\$51,444</u>

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE G - DEFINED BENEFIT PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT SYSTEM

Employees and Plan

Employees of LMHA belong to the Ohio Public Employees Retirement System ("OPERS"), a state-wide and state administered defined benefit, cost sharing multi-governmental employer pension plan, as required by the Ohio Revised Code. Allocated payroll expenses are made to LCEHC along with its pro-rata share of OPERS costs.

OPERS

OPERS provides retirement 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. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information.

Interested parties may obtain a copy by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The employer contribution rate for local government employer units was 13.55 percent of covered payroll; 5.0 percent was the portion used to fund health care in 2003 and 4.3 percent in 2002 and 2001. The LMHA's total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for years ended June 30, 2003, 2002, and 2001 were \$394,287, \$389,125, and \$242,355, respectively, equal to the required contributions for each year. LCEHC's allocated total contributions to OPERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended June 30, 2003, 2002, and 2001 were \$30,197, \$30,876, and \$17,061, respectively, equal to the required contributions for each year.

NOTE H - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

OPERS provides postretirement health care coverage to age and service retirants with ten 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 Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE H - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to OPERS. The portion of employer contributions rate used to fund health care for 2003 was 5.0 percent, for 2002 4.3 percent of covered payroll.

LMHA's contributions for other postemployment benefits to OPERS for the fiscal year ended 2003, 2002, and 2001 were \$145,494, \$123,486, and \$96,142, respectively. LCEHC's contributions for other postemployment benefits to OPERS for the fiscal year ended 2003, 2002, and 2001 were \$11,143, \$9,798, and \$6,768, respectively.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE I - RISK MANAGEMENT

LMHA and its component unit LCEHC are exposed to various risks of loss related to torts and other legal actions; theft of, damage to, and destruction of assets; error and omissions, injuries to employees and tenants and natural disasters. LMHA has contracted with the Housing Authority Property Insurance, Inc. (HAPI) for property liability insurance and outside vendors for employee and Board of Commissioner's fidelity insurance, auto and vehicle insurance and office equipment insurance. Settlement claims have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the previous fiscal year.

NOTE J - NON-RECURRING ITEMS

Proceeds from Demutualization

During the year ended June 30, 2002, LMHA received a one-time issuance of stock as a result of the demutualization of an insurance carrier. The Company recognized the proceeds of \$322,790 on the sale of the stock as other revenue.

Proceeds from Insurance

During the year ended June 30, 2002, LMHA received insurance proceeds as a result of property damage. The Company recognized a net gain of \$335,976 from the insurance proceeds as a gain on the sale of fixed assets.

Proceeds from Settlement

During the year ended June 30, 2003, LMHA received a lawsuit settlement of \$243,091 as a result of property damage.

NOTE K - EXTRAORDINARY ITEMS

Recapture of Housing Choice Voucher accumulated administrative fee reserve

During the year ended June 30, 2003, the FY03 Omnibus Appropriations bill required the recapture of any accumulated administrative fee reserve in excess of 105% of the FY02 administrative fee earned as of January 31, 2003. This will result in the reduction of any future administrative fees until the \$1,366,416 excess has been recaptured. Future recapture calculations have not be strictly spelled out, but an estimated \$150,000 - \$180,000 range for the period February – June 2003 is possible.

LORAIN METROPOLITAN HOUSING CORPORATION

Notes to Financial Statements Years Ended June 30, 2003 and 2002

NOTE L - CONCENTRATIONS

The Authority receives the majority of its revenue from the U. S. Department of Housing and Urban Development and is subject to changes in Congressional acts or mandated changes by HUD.

NOTE M - COMMITMENTS AND CONTINGENCIES

Grants

The Authority received financial assistance from a federal agency in the form of grants. The disbursement of funds received under these grant 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 June 30, 2003 and 2002, respectively.

Contingencies

The authority is party to various legal proceedings. In the opinion of Lorain Metropolitan Housing Authority, the ultimate disposition of these proceedings will not have a material effect on Lorain Metropolitan Housing Authority's financial position. No provision has been made to the financial statements for the effect, if any, of such contingencies.

LORAIN METROPOLITAN HOUSING CORPORATION

Schedule of Expenditures of Federal Awards Years Ended June 30, 2003

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development(Direct Program)		
Low Income Housing Assistance Programs		
Section 8 Housing Choice Voucher	14.871	\$15,810,582
Public Housing - Operating Subsidy	14.850A	3,863,914
Public Housing Capital Fund Program	14.872	4,124,055
Comprehensive Grant Program	14.859	2,535
Public and Indian Housing Drug Elimination Grant	14.854	337,598
Sheltered Plus Care	14.238	5,334
Section 8 New Construction and Substantial Rehabilitation Program - Concord Manor (Passed through to sub recipient)	14.182	195,403
Resident Opportunity and Supportive Services Grant	14.870	<u>49,340</u>
Total Federal Financial Assistance (All U.S. Dept. of HUD)		<u><u>\$24,388,761</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

LORAIN METROPOLITAN HOUSING CORPORATION

Schedule of Expenditures of Federal Awards Years Ended June 30, 2003

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 accrual basis of accounting as required by accounting principles generally accepted in the United States of America. 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 general purpose financial statements.

Note B: Federal Expenditures for the component unit - Lorain County Elderly Housing Corporation (LCEHC) federal expenditures/disbursements were reported separately in LCEHC's OMB Circular A-133 Single Audit Report. A summary of the amounts reported is presented below:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Section 8 Housing	14.871	\$797,595
New Approach Anti Drug	14.312	<u>28,491</u>
		<u>\$826,086</u>

**Lorain Metropolitan Housing Authority
Financial Data Schedule - Balance Sheet**

As of June 30, 2003

Line Item #	Account Description	Business Activities	Low Rent 14.850a	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Component Unit	TOTAL
	ASSETS:											
	CURRENT ASSETS:											
	Cash:											
111	Cash - unrestricted	697,554	3,550,936		3,156,411						2,612,408	10,017,309
112	Cash - restricted - modernization and development											
113	Cash - other restricted		20,626		105,577							126,203
114	Cash - tenant security deposits	2,225	135,864								36,789	174,878
115	Cash - restricted for payment of current liability	699,779	3,707,426		3,261,988						2,649,197	10,318,390
100	Total cash											
	Accounts and notes receivables:											
121	Accounts receivable - PHA projects											
122	Accounts receivable - HUD other projects				147,782		692,209	8,213	44,109		1,233	893,546
124	Accounts receivable - other government											
125	Accounts receivable - miscellaneous		1,787		3,846						5,997	11,630
126	Accounts receivable - tenants - dwelling rents		71,449								3,754	75,203
126.1	Allowance for doubtful accounts - dwelling rents		(8,402)								(380)	(8,782)
126.2	Allowance for doubtful accounts - other											
127	Notes, loans & mortgages receivable - current											
128	Fraud recovery				48,082							48,082
128.1	Allowance for doubtful accounts - fraud											
129	Accrued interest receivable											
120	Total receivables, net of allowances for doubtful accounts		64,834		199,710		692,209	8,213	44,109		10,604	1,019,679
	Current investments											
131	Investments - unrestricted											
132	Investments - restricted										860,005	860,005
135	Investments - restricted for payment of current liability											
142	Prepaid expenses and other assets	151	60,429		11,435						4,700	76,715
143	Inventories											238,788
143.1	Allowance for obsolete inventories		(6,232)									(6,232)
144	Interprogram - due from		90,503	32,999				2	43	1		177,910
145	Assets held for sale	54,362										
146	Amounts to be provided											
150	TOTAL CURRENT ASSETS	754,292	4,155,748	32,999	3,473,133		692,209	8,215	44,152	1	3,524,506	12,685,255

As of June 30, 2003

Line Item #	Account Description	Business Activities	Low Rent 14.85(a)	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Component Unit	TOTAL
	NONCURRENT ASSETS:											
	Fixed assets:											
161	Land	71,100	4,495,558		69,400						377,930	5,013,988
162	Buildings	200,645	46,829,345		848,002	2,243,574	4,271,150				6,322,912	60,715,628
163	Furniture, equipment & machinery - dwellings		827,754								21,839	849,593
164	Furniture, equipment & machinery - administration		358,237		139,969		122,812		3,730		24,978	649,726
165	Leasehold improvements											
168	Infrastructure											
166	Accumulated depreciation	(24,839)	(28,646,466)		(287,175)	(296,976)	(287,668)		(1,903)		(3,421,112)	(32,966,139)
167	Construction in progress											
160	Total fixed assets, net of accumulated depreciation	246,906	23,864,428	-	770,196	1,946,598	4,665,779	-	1,827	-	3,326,547	34,822,281
	Other Non Current Assets											
171	Notes, loans & mortgages receivable - non current											
172	Notes, loans & mortgages receivable - non current - past due											
173	Grants Receivable - non current											
174	Other assets											
176	Investment in joint ventures											
180	TOTAL NONCURRENT ASSETS	246,906	23,864,428	-	770,196	1,946,598	4,665,779	-	1,827	-	3,326,547	34,822,281
190	TOTAL ASSETS	1,001,198	28,020,176	32,999	4,243,329	1,946,598	5,357,988	8,215	45,979	1	6,851,053	47,507,536
		2%	59%	0%	9%	4%	11%	0%	0%	0%		100%
	LIABILITIES AND EQUITY:											
	LIABILITIES:											
	Current Liabilities											
311	Bank overdraft											
312	Accounts payable ≤ 90 days	210	136,746		7,679		389,113	8,213	40,381		17,503	599,845
313	Accounts payable > 90 days past due											
321	Accrued wage/payroll taxes payable	10,157	104,566		37,123		12,500		2,544		11,072	177,964
322	Accrued compensated absences - current portion		97,404		38,350						8,295	144,049
324	Accrued contingency liability											
325	Accrued interest payable											
331	Accounts payable - HUD PHA programs			15,851	1,366,416						138,239	1,382,267
332	Accounts Payable - PHA Projects				284							284
333	Accounts payable - other government		44,726								21,894	66,620
341	Tenant security deposits	2,225	135,864								36,789	174,878
342	Deferred revenues										155,000	155,000
343	Current portion of Long-Term debt - capital projects/mortgage revenue bonds											
344	Current portion of Long-Term debt - operating borrowings											
345	Other current liabilities											
346	Accrued liabilities - other						248,882					248,882
347	Inter-program - due to	93,750		17,148	35,512		22,776		2		8,724	177,912
348	Loan Liability - current											
310	TOTAL CURRENT LIABILITIES	106,342	519,306	32,999	1,485,366	-	673,271	8,213	42,927	-	397,516	3,265,940

As of June 30, 2003

Line Item #	Account Description	Business Activities	Low Rent 14.850a	Section 8 N/C S/R Program 14.192	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CPF 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Component Unit	TOTAL
	Non Current Liabilities											
351	Long-term debt, net of current- capital projects/ mortgage revenue bonds										4,595,000	4,595,000
352	Long-term debt, net of current- operating borrowings										-	-
353	Noncurrent liabilities- other		20,154		151,730						-	171,884
354	Accrued Compensated Absences - non current		99,268		20,933		18,938		1,225		9,278	149,642
355	Loan Liability - non current										-	-
350	TOTAL NONCURRENT LIABILITIES		119,422	-	172,663	-	18,938	-	1,225	-	4,604,278	4,916,526
300	TOTAL LIABILITIES	106,342	638,728	32,999	1,658,029	-	692,209	8,213	44,152	-	5,001,794	8,182,466
		1%	8%	0%	20%	0%	8%	0%	1%	0%	61%	100%
	EQUITY:											
501	Investment in general fixed assets											
	Contributed Capital:											
508.1	Invested in Capital Assets, Net of Related Debt	246,906	23,864,428	-	770,196	1,946,598	4,665,779		1,827		175,804	31,671,538
511.1	Restricted Net Assets		20,626	-	105,577		-		-		860,005	986,208
512.1	Unrestricted Net Assets	647,950	3496394	-	1,709,527		-		-	1	813,450	6,667,324
513	TOTAL EQUITY/NET ASSETS	894,856	27,381,448	-	2,585,300	1,946,598	4,665,779	2	1,827	1	1,849,259	39,325,070
600	TOTAL LIABILITIES and EQUITY/NET ASSETS	1,001,198	28,020,176	32,999	4,243,329	1,946,598	5,357,988	8,215	45,979	1	6,851,053	47,507,536

**Lorain Metropolitan Housing Authority
Financial Data Schedule - Revenue & Expenses
For 12 months ending 06/30/03**

Account Description	Business Activities	Low Rent 14.850a	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Component Unit	TOTAL
REVENUE:											
703 Net tenant rental revenue	31,905	1,778,149								470,979	2,281,033
704 Tenant revenue - other	482	133,620								2,629	136,731
705 Total tenant revenue	32,387	1,911,769								473,608	2,417,764
706 HUD PHA operating grants			195,403	15,810,582			49,340	337,598	5,334	824,822	21,721,452
706.1 Capital Grants		3,863,914			2,535					1,264	3,493,395
708 Other government grants											
711 Investment income - unrestricted	17,246	85,414		71,582						68,963	243,205
712 Mortgage interest income											
713 Proceeds from disposition of assets held for sale											
713.1 Cost of sale of assets											
714 Fraud recovery											
715 Other revenue	30,804	292,401		35,282							35,282
716 Gain or loss on the sale of fixed assets		(119)		7,781						7,115	338,101
720 Investment income - restricted				3,270						9,772	13,042
700 TOTAL REVENUE	80,437	6,153,379	195,403	15,928,497	2,535	4,124,055	49,340	337,598	5,334	1,385,544	28,262,122
EXPENSES:	0%	22%	1%	56%	0%	15%	0%	1%	0%	5%	100%
Administrative											
911 Administrative salaries		935,351		707,877		191,181				153,118	1,987,527
912 Auditing fees		14,267		9,582						5,452	29,301
913 Outside management fees			17,148							23,835	40,983
914 Compensated absences		32,987		3,648		1,438		52		2,190	40,315
915 Employee benefit contributions- administrative	13,025	327,730		289,982		63,770				37,293	718,775
916 Other operating- administrative	13,025	260,098		97,735						21,867	392,725
Subtotal	13,025	1,570,433	17,148	1,108,824		256,389		52		243,755	3,209,626
Tenant services											
921 Tenant services - salaries		14,755				14,869					29,624
922 Relocation costs											
923 Employee benefit contributions- tenant services		8,071				8,103					16,174
924 Tenant services - other		54,555					49,337			5,669	199,912
Subtotal		77,381				22,972	49,337			5,669	245,710

For 12 months ending 06/30/03

Account Description	Business Activities	Low Rent 14.850a	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Component Unit	TOTAL
Utilities											
931 Water	347	221,234	-	168						17,273	239,022
932 Electricity	4,442	349,336	-	7,773						188,547	550,098
933 Gas	6,161	318,725	-	3,771						1,310	329,967
934 Fuel										-	-
935 Labor										-	-
937 Employee benefit contributions- utilities										-	-
938 Other utilities expense	363	305,163	-	126						34,186	339,838
Subtotal	11,313	1,194,458	-	11,838						241,316	1,458,925
Ordinary maintenance & operation											
941 Ordinary maintenance and operations - labor	3,453	1,012,049	-							70,555	1,086,057
942 Ordinary maintenance and operations - materials & other	1,029	343,123	-	11,412		3,461				29,202	388,227
943 Ordinary maintenance and operations - contract costs	5,324	625,333	-	97,352		3,191				85,735	816,935
945 Employee benefit contributions- ordinary maintenance		426,411	-							30,408	456,819
Subtotal	9,806	2,406,916	-	108,764		6,652				215,900	2,748,038
Protective services											
951 Protective services - labor								76,705		-	76,705
952 Protective services- other contract costs						202,429		170,490		24,383	397,302
953 Protective services - other										-	-
955 Employee benefit contributions- protective services								247,195		-	247,195
Subtotal	-	-	-	-		202,429		247,195		24,383	474,007
General expenses											
961 Insurance premiums	708	182,022	-	14,760						16,733	214,223
962 Other General Expenses										-	-
963 Payments in lieu of taxes	238	44,916	-							21,894	67,048
964 Bad debt - tenant rents		66,471	-							4,666	71,137
965 Bad debt- mortgages										-	-
966 Bad debt - other										-	-
967 Interest expense		14,874	-	774						301,838	301,838
968 Severance expense	946	308,283	-	15,534						-	15,648
Subtotal	35,090	5,557,471	17,148	1,244,960		488,442	49,337	337,598		1,076,154	8,806,200
969 TOTAL OPERATING EXPENSES											

For 12 months ending 06/30/03

Account Description	Business Activities	Low Rent 14.450a	Section 8 N/C S/R Program 14.182	Housing Choice Voucher 14.871	CIAP & CGP 14.852 14.859	CFP 14.872	Ross Grant 14.870	PIH Drug Elimination Program 14.854	Shelter Plus Care 14.238	Component Unit	TOTAL
970 EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	45,347	595,908	178,255	14,685,537	2,535	3,635,613	3	-	5,334	309,390	19,455,922
971 Extraordinary maintenance		72,616				146,017					218,633
972 Casualty losses - non-capitalized		5,923									5,923
973 Housing assistance payments			178,255	14,266,976					5,333		14,450,564
974 Depreciation expense	5,110	1,999,459		36,123	130,335	211,057		1,243		165,875	2,549,202
975 Fraud losses											-
976 Capital outlays- governmental funds											-
977 Debt principal payment- governmental funds											-
978 Dwelling units rent expense											-
900 TOTAL EXPENSES	40,200	7,635,469	195,403	15,548,059	130,335	845,516	49,337	338,841	5,333	1,242,029	26,030,522
	0%	29%	1%	60%	1%	3%	0%	1%	0%		100%
OTHER FINANCING SOURCES (USES)											
1001 Operating transfers in											-
1002 Operating transfers out											-
1003 Operating transfers from/to primary government											-
1004 Prior Period Adjustments, Equity/Net Assets											-
1005 Proceeds from notes, loans and bonds											-
1006 Proceeds from property sales											-
1007 Extraordinary Items (net gain/loss)				1,366,416							1,366,416
1008 Special Items (net gain/loss)											-
1010 TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(1,366,416)	-	-	-	-	-	-	(1,366,416)
1000 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL	40,237	(1,482,090)	-	(985,978)	(127,800)	3,278,539	3	(1,243)	1	143,515	865,184

For 12 months ending 06/30/03

Account Description	Business Activities	Low Rent 14,850a	Section 8 N/C S/R Program 14,182	Housing Choice Voucher 14,871	CIAP & CGP 14,852 14,859	CFP 14,872	Ross Grant 14,870	PHI Drug Elimination Program 14,834	Shelter Plus Care 14,238	Component Unit	TOTAL
MEMO account information											
1101 Capital contributions										-	-
1102 Debt principal payments- enterprise funds										145,000	145,000
1103 Beginning equity	854,619	28,863,538	-	3,571,278	2,074,398	1,387,240	(1)	3,070	0	1,705,744	38,459,886
1104 Prior period adjustments, equity transfers and correction of errors											
1105 Changes in compensated absence liability balance (in the GLTDAG)											
1106 Changes in contingent liability balance (in the GLTDAG)											
1107 Changes in unrecognized pension transition liability (in the GLTDAG)											
1108 Changes in special term/severance benefits liability (in the GLTDAG)											
1109 Changes in allowance for doubtful accounts - dwelling rents											
1110 Changes in allowance for doubtful accounts - other											
1112 Depreciation "add back"			162,172	15,490,074							15,652,246
1113 Maximum annual contributions commitment (per ACC)											
1114 Prorate maximum annual contributions applicable to a period of less than twelve months			85,993	320,508							406,501
1115 Contingency reserve, ACC program reserve			248,165	15,810,382							16,058,747
1116 Total annual contributions available	84	17,340	600	31,808						2,400	52,249
1120 Unit months available	49	16,886	564	31,045					17	2,352	50,913
1121 Number of unit months leased											

LORAIN METROPOLITAN HOUSING CORPORATION

Schedule of Completed Grants/Certificates Year Ended June 30, 2003

Description	Note A	Note B	Note C	Note D
	OH12DEP0120199 Drug Grant	OH12DEP0120100 Drug Grant	OH12P01270899 Comp Grant	OH12P01250100 Capital Fund Grant
Funds approved - latest budget	\$324,192	\$337,875	\$3,274,051	\$3,060,975
Funds advanced	324,192	337,875	3,274,051	3,060,975
Funds expended	<u>324,192</u>	<u>337,875</u>	<u>3,274,051</u>	<u>3,060,975</u>
Difference between funds advanced and funds expended	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Note A: The drug elimination grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2002 and the final report submitted to HUD on January 23, 2003.

Note B: The drug elimination grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2003 and the final report submitted to HUD on January 23, 2003.

Note C: This Actual Modernization Cost Certificate was completed by the Lorain Metropolitan Housing Authority during fiscal year 2003 and the final report was submitted to HUD which approved closing on September 3, 2002.

Note D: This Actual Modernization Cost Certificate was completed by the Lorain Metropolitan Housing Authority during fiscal year 2003 and the final report was submitted to HUD which approved closing on August 28, 2003.

Note E: The distribution of costs shown on schedules submitted to HUD for approval are in agreement with the Authority's records and all grant costs and expenses and all related liabilities have been paid and liquidated through payment.

No grants were closed during fiscal year 2002.

LORAIN METROPOLITAN HOUSING CORPORATION

Schedule of Units Under LMHA Management Year Ended June 30, 2003

Lorain Metropolitan Housing Authority(LMHA) had 4,144 units under its management. LMHA's component unit Lorain County Elderly Housing Corporation (LCEHC) had 200 units under its management. See details below.

<u>Management</u>	<u>Units Available</u>	<u>Average Number Units Leased in Fiscal</u>
Lorain Metropolitan Housing Authority		
Low income public housing	1,445	1,407
Section 8 vouchers(Started with 2584))	2,685	2,587
Sheltered plus care	17	17
General fund - not HUD funded	<u>7</u>	<u>4</u>
Total	4,154	4,015
Lorain County Elderly Housing Corporation		
Section 8 new construction	<u>200</u>	<u>196</u>
Total LMHA and LCEHC	<u>4,354</u>	<u>4,211</u>

**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**

September 4, 2003

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

We have audited the accompanying general purpose financial statements of the Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit Lorain County Elderly Housing Corporation (LCEHC) as of June 30, 2003 for the year then ended and have issued our report thereon dated September 4, 2003. 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.

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 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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of LMHA in a separate letter dated September 4, 2003.

Certified Public Accountants / Management Consultants

1215 Superior Avenue, Suite 400
Cleveland, Ohio 44114-3289
(216) 566-9000
(216) 566-9321 Fax

5050 Waterford Drive
Sheffield, OH 44035
(440) 934-3850
(440) 934-3950 Fax

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

This report is intended for the information of the board of LMHA, management, the Auditor of the State of Ohio, 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.

Barnes Wendling CPAs, Inc.

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

September 4, 2003

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

We have audited the Lorain Metropolitan Housing Authority's (LMHA) 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, 2003. 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.

The financial statements of LMHA include the discretely presented component unit - Lorain County Elderly Housing Corporation, which received \$826,086 in federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2003.

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, 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 LMHA's compliance with those requirements and performing such other procedures as we consider 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 the LMHA's compliance with those requirements.

In our opinion, LMHA 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, 2003.

Certified Public Accountants / Management Consultants

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5050 Waterford Drive
Sheffield, OH 44035
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(440) 934-3950 Fax

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

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 LMHA, management, the Auditor of the State of Ohio, 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.

Barnes Wendling CPAs, Inc.

LORAIN METROPOLITAN HOUSING AUTHORITY

Schedule of Findings and Questioned Costs Year Ended June 30, 2003

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? _____ Yes No

Reportable condition(s) 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

Reportable condition(s) 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 Number(s)	Name of Federal Program or Cluster
14.850	Public Housing
14.871	Housing Choice Vouchers
14.872	Public Housing Capital Fund Program

Dollar threshold used to distinguish between
type A and type B programs: \$ 731,633

Auditee qualified as low-risk auditee? Yes _____ No

Section II--Financial Statement Findings

None

Section III--Federal Award Findings and Questioned Costs

None

LORAIN METROPOLITAN HOUSING AUTHORITY

Status of Prior Year Findings Year Ended June 30, 2003

There were no significant or material findings or questioned costs included in the prior year reports.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2004**