

**Lorain Metropolitan Housing Authority
Financial and OMB-A-133 Audit Report
for the Fiscal Year Ended June 30, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

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

We have reviewed the Independent Auditor's Report of Lorain Metropolitan Housing Authority, Lorain County, prepared by Watson, Rice & Co., for the audit period July 1, 1999 to June 30, 2000. 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.

JIM PETRO
Auditor of State

February 22, 2001

**Lorain Metropolitan Housing Authority
Table of Contents**

	Page
Independent Auditor's Report	1
General Purpose Financial Statements	
Balance Sheet - Proprietary Fund Type	3
Statement of Revenues, Expenses and Changes in Retained Earning - Proprietary Fund Type	4
Statement of Cash Flows - Proprietary Fund Type	5
Notes to the General Purpose Financial Statements	6 - 21
Supplemental Data:	
Schedule of Expenditures of Federal Awards	22
Combining Balance Sheet (FDS schedule format)	23 - 24
Combining Statement of Revenues, Expenses and Changes in Retained Earnings -(FDS schedule format)	25 - 26
Additional Required Information - (FDS schedule format)	27
Schedule of Completed Grants/Certificates	28
Schedule of Units Under Lorain Metropolitan Housing Authority	29
Reports on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30 - 31
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	32 - 33
Schedule of Findings and Questioned Costs	34
Management Letter Comment Report – Issued under separate cover	

WATSON RICE&CO

Certified Public Accountants
A Professional Corporation

601 City Club Building
850 Euclid Avenue
Cleveland, Ohio 44114
(216) 696-0767
(216) 696-1145 Fax

Independent Auditor's Report

Board of Commissioners
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have audited the accompanying general purpose financial statements 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 and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lorain Metropolitan Housing Authority. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statement referred to above present fairly, in all material respects, the financial position of Lorain Metropolitan Housing Authority as of June 30, 2000, and the results of its operation and the cash flows of its proprietary fund type activities for the year then ended in conformity with general accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2001 on our consideration 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 audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The 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 the Lorain Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements.

To the Members of the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Page 2

The combining Balance Sheet – FDS Scheduling Format, Combining Statement of Revenues, Expenses and Changes in Retained Earnings- FDS Schedule Format, Additional Required Information – FDS Schedule format , Schedule of Completed Grants/ Certificates and Schedule of Units under Lorain Metropolitan Housing Authority are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the general purpose financial statement, such information has been subjected to the auditing procedures applied in the audit of the general purpose statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Watson, Rice & Co

January 22, 2001

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINED BALANCE SHEET
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2000

ASSETS	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
Current Assets			
Cash and Cash Equivalents	\$924,747		\$924,747
Investments	4,769,169	2,934,588	7,703,757
Intergovernmental Accounts Receivable - HUD	51,165		51,165
Tenant Accounts Receivable - Net of \$(12,391) Allowance for Doubtful Accounts (LMHA) and \$(120) Component Unit	32,804	2,880	35,684
Due From Other Funds/Programs	246,163		246,163
Accounts Receivable - Other	161,182		161,182
Prepaid Expenses	54,211	969	55,180
Inventory - Net of \$1,162 Allowance for Obsolete Inventory	231,240		231,240
Accrued Interest Receivable	93,895	43,790	137,685
Other Assets		2,299	2,299
Total Current Assets	6,564,576	2,984,526	9,549,102
Non-Current Assets			
Restricted Cash & Investments - Tenant Security & FSS Deposits	241,350	32,787	274,137
Restricted Investments - Trustee		791,627	791,627
Fixed Assets	58,158,386	5,950,295	64,108,681
Less Accumulated Depreciation	(22,680,140)	(3,028,345)	(25,708,485)
Total Non-Current Assets	35,719,596	3,746,364	39,465,960
TOTAL ASSETS	\$42,284,172	\$6,730,890	\$49,015,062
LIABILITIES & EQUITY			
Current Liabilities			
Bank Overdraft		48	48
Accounts Payable - Trade	59,459		59,459
Account Payable - HUD	52,722		52,722
Due To Other Funds/Programs	207,303	38,860	246,163
Security & Other Trust Deposits	293,011	32,787	325,798
Accrued Wages and Payroll Taxes	99,798	9,860	109,658
Accrued Compensated Absences	246,063	16,070	262,133
PILOT Payable	86,300	20,837	107,137
Other Accrued Liabilities	112,649	33,717	146,366
Deferred Revenues - Prepaid Annual Contribution - HUD	1,029,953		1,029,953
Current Portion of Long Term Debt		130,000	130,000
Undistributed Credits	129,065		129,065
Total Current Liabilities	2,316,323	282,179	2,598,502
Non-Current Liabilities			
Long Term Bonds Payable		5,035,000	5,035,000
Other Non-Current Liabilities			0
Total Non-Current Liabilities	0	5,035,000	5,035,000
Total Liabilities	2,316,323	5,317,179	7,633,502
Equity			
Contributed Capital	36,021,512	659,592	36,681,104
Retained Earnings	3,946,337	754,119	4,700,456
Total Equity	39,967,849	1,413,711	41,381,560
TOTAL LIABILITIES & EQUITY	\$42,284,172	\$6,730,890	\$49,015,062

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

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
ENTERPRISE FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
<u>Operating Revenue</u>			
HUD Grants/Subsidies	\$14,801,957	\$757,575	\$15,559,532
Tenant Rental Income	2,007,422	442,813	2,450,235
Other Tenant Revenue	192,892	7,476	200,368
Other Revenues	141,648		141,648
Unrestricted Investment Income	305,274	170,000	475,274
Total Operating Revenues	17,449,193	1,377,864	18,827,057
<u>Operating Expenses</u>			
Housing Assistance Payments	9,829,725		9,829,725
Administrative Salaries	1,616,785	138,644	1,755,429
Management Fees		21,634	21,634
Tenant Services - Salaries & Other	399,466		399,466
Compensated Absences	3,625	317	3,942
Employee Benefits - Administration	527,203	45,149	572,352
Other Administrative Expense	465,132	26,832	491,964
Ordinary Material and Labor & Employee Benefit Contributions	1,394,634	67,927	1,462,561
Contract Services	597,694	220,848	818,542
Employee Benefits - Maintenance	326,174		326,174
Utilities	955,602	224,508	1,180,110
General Expenses & Insurance	309,407	18,293	327,700
Payment in Lieu of Taxes	90,988	20,837	111,825
Bad Debt Expense	165,855	5,170	171,025
Extraordinary Maintenance Noncapitalized Casualty & Fraud Loss	201,828		201,828
Depreciation Expense	1,492,784	158,476	1,651,260
Total Operating Expenses	18,376,902	948,635	19,325,537
Operating Income (Loss)	(927,709)	429,229	(498,480)
<u>Non-Operating Revenue (Expenses)</u>			
Restricted Interest Income	11,425	19,218	30,643
Interest Expense - HUD	(4,056)		(4,056)
Interest Expense - Debt		(326,993)	(326,993)
Net Income (Loss)	(920,340)	121,454	(798,886)
Retained Earnings - Beginning of Year As Previously Reported	62,904,938	4,081,072	66,986,010
Restatement of Beginning Retained Earnings - GAAP	(25,106,928)	(2,881,063)	(27,987,991)
Prior Period Audit Adjustment (Note 13)		92,248	92,248
HUD Contributed Capital - Comprehensive Grant Program	3,090,179		3,090,179
Ending Retained Earnings	\$39,967,849	\$1,413,711	\$41,381,560

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000**

	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation Component Unit	Total Memorandum Only
<u>Cash Flows From Operating Activities</u>			
Net Income (Loss)	(\$920,340)	\$121,454	(\$798,886)
<u>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used) for Operating Activities</u>			
Depreciation	1,492,784	158,476	1,651,260
(Increase) Decrease in Accounts Receivable - Tenants	78,190	3,986	82,176
(Increase) Decrease in Accounts Receivable - Other	31,012	0	31,012
(Increase) Decrease in Inventory	12,635	0	12,635
(Increase) Decrease in Due From Other Program/Entities	(209,027)	28,992	(180,035)
(Increase) Decrease in Accrued Interest Receivable	(93,895)	(43,790)	(137,685)
(Increase) Decrease in Other Assets	0	(2,299)	(2,299)
(Increase) Decrease in Accounts Receivable - HUD	(51,165)	1,273	(49,892)
Increase (Decrease) in Bank Overdraft	0	48	48
Increase (Decrease) in Accounts Payable - Trade	39,986	(7,582)	32,404
Increase (Decrease) in Due To Other Program/Entities	141,175	38,860	180,035
Increase (Decrease) in Security Deposits & Other Trust Funds	32,621	1,970	34,591
Increase (Decrease) in Accrued Wages and Payroll Taxes	(74,799)	3,414	(71,385)
Increase (Decrease) in Compensated Absences	58,092	1,388	59,480
Increase (Decrease) in PILOT Payable	13,243	2,535	15,778
Increase (Decrease) in Prepaid Annual Contribution	1,029,953	0	1,029,953
Increase (Decrease) in Undistributed Credits	(16,097)	0	(16,097)
Increase (Decrease) in Trustee Cash Disbursements Payable to LCEHC	0	(69,794)	(69,794)
Increase (Decrease) in Due From Trustee & PILOT and Excess Distribution	0	91,387	91,387
Increase (Decrease) in Other Accrued Liabilities	(4,205)	33,717	29,512
Increase (Decrease) in Prior Period Adjustment	0	95,314	95,314
Increase (Decrease) in Prepaid Expenses	(9,744)	355	(9,389)
Increase (Decrease) in Accounts Payable - HUD	(193,653)	0	(193,653)
Total Adjustments	2,277,106	338,250	2,615,356
Net Cash Provided By (Used) Operating Acting Activities	1,356,766	459,704	1,816,470
<u>Cash Flows From Investing Activities</u>			
Fixed Asset Purchases	(2,700,204)	(114,139)	(2,814,343)
(Increase) Decrease in Unrestricted Investments	(1,039,793)	(184,484)	(1,224,277)
(Increase) Decrease in Restricted Investments	(23,890)	(36,624)	(60,514)
HUD Contribution for Equipment Purchases	2,611,015		2,611,015
Net Cash Used For Investing Activities	(1,152,872)	(335,247)	(1,488,119)
<u>Cash Flows From Financing Activities</u>			
Payment of Bond Principal	0	(125,000)	(125,000)
Net Cash Used By Financing Activities	0	(125,000)	(125,000)
Increase (Decrease) in Cash & Cash Equivalents	203,894	(543)	203,351
Cash & Cash Equivalents - Beginning of Year	720,853	495	721,348
Cash & Cash Equivalents - End of Year	\$924,747	(\$48)	\$924,699

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

Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 1 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 operation 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.

A. Description of the Entity

LMHA was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. In accordance with an Annual Contributions Contract (C-5010) between the LMHA and the United States Department of Housing and Urban Development (HUD), the 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) to maintain "the low-rent character of such housing".

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

B. Component Unit

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

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

C. 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 2 Summary of Significant Accounting Policies

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

Reporting Entity

The accompanying general purpose financial statements comply with the provisions of GASB Statement 14 (Statement), “The Financial Reporting Entity,” in that the 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.

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 are accounted for as part of proprietary fund types and as enterprise funds. The definitions of enterprise fund is described below.

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 2 Summary of Significant Accounting Policies (continued)

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

In accordance with statement Number 20 of the Government Accounting Standard 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:

- a. 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
Refrigerators and Ranges	5 years
Computer Equipment	3 years
Vehicles	5 years
Office Equipment	5 years
Other Equipment	5-10 years
Leasehold Improvement(CGP only)	15 years

Only items with a unit cost of \$1,000 or more are capitalized and depreciated except for ranges and refrigerators which capitalized regardless of cost.

- b. Compensated Absences

LMHA and its component unit LCEHC account for compensated absences in accordance with GASB Statement Number 16. Vacation leave can not be carried forward from the end of the calendar year to the beginning of the next calendar year.

Vacation leave is earned at the end of the fiscal year (June 30) is accrued at the end of the fiscal year based on the employee hourly rate multiplied by the employees vacation hour balance.

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 2 Summary of Significant Accounting Policies (continued)

b. Compensated Absences - (continued)

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 employees available sick time hour up to a maximum to 960 hours.

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

c. Indirect Cost

Certain indirect costs are charged to programs under a cost allocation plan costs. Joint costs are allocated among various funds on the basis of several allocation bases.

d. Inventory

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

e. Allowances for Doubtful Accounts – Tenants and Bad Debt Expenses

LMHA and its component unit LCEHC, with the Board of Commissioner approval, recognize as a bad debt expense unpaid tenant's accounts receivable balances for which there has been no payment activity for 60 days and for which an outstanding balance remains.

An allowance for doubtful accounts and a related bad debt expense is recognized at fiscal year end based on the average write-off of tenants accounts receivable from the past three(3) fiscal years.

f. Restricted Investments

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 approval from the trustee.

g. Due to and Due from other funds/programs

During the course of operations interprogram accounts receivable and interprogram accounts payable occur among the various LMHA funds. These are recognized as either due from other funds (asset) or due to other funds (liability). Payables and receivables that occur between LMHA and LCEHC are shown as either a Due from other Entities (asset) or a Due to other Entities(liability).

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 2 Summary of Significant Accounting Policies (continued)

h. Investments

Investments for both LMHA and LCEHC consist of certificates of deposits, U. S. Treasury Bills, and other federal government financial instruments. All investments are held to maturity. The fair market value of these investments approximates cost and investments are reported at cost on these financial statements.

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.

Note 3 Restatement of Beginning Retained Earning By Program Due to Change in Method of Accounting

Lorain Metropolitan Housing Authority (LMHA) and its component unit Lorain County Elderly Housing Corporation (LCEHC) in accordance with directives from the United States Department of Housing and Urban Development (HUD) converted from the HUD basis of accounting to the generally accepted accounting principles (GAAP) basis of accounting effective July 1, 1999. The significant changes include the following items:

- a. Depreciation expense and accumulated depreciation are recorded on structures and equipment.
- b. Investments are presented at fair market value.
- c. Bonds and notes guaranteed by HUD are recorded as capital contributions.
- d. Liabilities for compensated absences and contingent liabilities are accrued.
- e. Certain administrative and soft costs related to development and modernization projects are expensed rather than capitalized.

Listed below is a summary of the changes made to restate the LMHA and LCEHC beginning retained earnings on the GAAP bases of accounting.

**LORAIN METROPOLITAN HOUSING AUTHORITY
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 3 - RESTATEMENT OF BEGINNING RETAINED EARNINGS
BY PROGRAM - DUE TO CHANGES IN METHOD OF ACCOUNTING**

Description	General and Administrative Funds	Public Housing Program	Consolidated Grants Program	Section 8 Voucher Program	Section 8 Certificate Program	Drug Elimination Grant Program
Ending Surplus June 30, 1999 (HUD Basis of Accounting)	\$393,350	\$57,770,758	\$479,164	\$1,073,531	\$1,635,107	\$1,407,334
Adjustments Required to Restate Ending Surplus to Ending Retained Earnings Per Generally Accepted Accounting Principles						
-Allowance For Doubtful Accounts		(8,203)			(2,019)	
-Write Off of Soft Costs		(2,905,469)	(211,646)			
-Recognition of Accumulated Depreciation as of June 30, 1999		(20,023,515)			(185,654)	(1,457,451)
-Recognition of Compensated Absences Payable		(142,968)			(45,003)	
Sub-Total Adjustments	0	(23,080,155)	(211,646)	0	(232,676)	(1,457,451)
Ending Retained Earnings - June 30, 1999 (GAAP Basis)	<u>\$393,350</u>	<u>\$34,690,603</u>	<u>\$267,518</u>	<u>\$1,073,531</u>	<u>\$1,402,431</u>	<u>(\$50,117)</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 3 - RESTATEMENT OF BEGINNING RETAINED EARNINGS
BY PROGRAM - DUE TO CHANGES IN METHOD OF ACCOUNTING**

Description	Economic Development & Supportive Service Grant	Youth Sports Grant	Sheltered Plus Grant	Concord Manor	Sub-Total LMHA	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
Ending Surplus June 30, 1999 (HUD Basis of Accounting)	3	125,000	20,691	0	62,904,938	4,081,072	66,986,010
Adjustments Required to Restate Ending Surplus to Ending Retained Earnings Per Generally Accepted Accounting Principles							
-Allowance For Doubtful Accounts					(10,222)		(10,222)
-Write Off of Soft Costs		(125,000)			(3,242,115)		(3,242,115)
-Recognition of Accumulated Depreciation as of June 30, 1999					(21,666,620)	(2,866,381)	(24,533,001)
-Recognition of Compensated Absences Payable					(187,971)	(14,682)	(202,653)
Sub-Total Adjustments	0	(125,000)	0	0	(25,106,928)	(2,881,063)	(27,987,991)
Ending Retained Earnings - June 30, 1999 (GAAP Basis)	\$3	\$0	\$20,691	\$0	\$37,798,010	\$1,200,009	\$38,998,019

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 4 Deposits and Investments

Legal Requirements – The deposit and investment of LMHA’s and its component unit LCEHC monies are governed by the provisions of the Ohio Revised Code and HUD regulations. 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 valued at least 110 percent of the total value of public monies on deposit at 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.

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

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 4 *Deposits and Investments (continued)*

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 as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by LMHA and LCEHC or by its agent in LMHA or LCEHC's name.
- 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.

At fiscal year end 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 \$ 1,040,128 and the bank balance was \$1,393,367. The difference represents outstanding checks and other in transit transactions of the bank balance:

- (1) \$ 100,096 was covered by federal depository insurance.
- (2) \$1,293,271 was covered by pledged securities held by the banking institution.
- (3) \$ 0 was not collateralized.

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 4 *Deposits and Investments (continued)*

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

LMHA

Risk Category

<u>Description</u>	Category 1	Category 2	Category 3	Fair Value
Certificates of Deposits	\$4,620,408			\$4,620,408
U.S. Treasury Bills, Lorain National	96,946			96,946
U.S. Treasury Bills, Federal Reserve			<u>177,784</u>	<u>177,784</u>
Total – LMHA	<u>\$4,717,354</u>	<u>\$0</u>	<u>\$177,784</u>	<u>\$4,895,138</u>

LCEHC

Risk Category

<u>Description</u>	Category 1	Category 2	Category 3	Fair Value
Certificates of Deposits	\$1,290,610		\$1,576,765	\$2,867,375
U.S. Treasury Bills, Lorain National	100,000			96,946
Money Market Fund – One Group Treasury			<u>791,627</u>	<u>791,627</u>
Total – LCEHC	<u>\$1,390,610</u>	<u>\$0</u>	<u>\$2,368,392</u>	<u>\$3,759,002</u>
Total Investments LMHA and LCEHC	<u>\$6,107,963</u>	<u>\$0</u>	<u>\$2,546,176</u>	<u>\$8,654,139</u>

A reconciliation of cash and investments as shown on combining Balance Sheet follows:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Unrestricted Cash and Cash Equivalents	\$ 924,747	\$ 0	\$ 924,747
Unrestricted Investments	4,769,169	2,934,588	7,703,757
Restrict Cash and Investment – Tenant Security Deposits and FSS Deposits	241,350	32,787	274,137
Restricted Investments – Trustee		<u>791,627</u>	<u>791,627</u>
Total	<u>\$5,935,266</u>	<u>\$3,759,002</u>	<u>\$9,694,268</u>
Carrying Amounts of Deposits	1,040,128		1,040,128
Carrying Amounts of Investments	<u>4,895,138</u>	<u>3,759,002</u>	<u>8,654,140</u>
Total	<u>\$5,935,266</u>	<u>\$3,579,002</u>	<u>\$9,694,268</u>

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 5 Restricted Cash and Restricted Investments and Reserves

At June 30, 200, LMHA and its component unit LCEHC had the following restricted cash and restricted reserves and reserves:

<u>Lorain Metropolitan Housing Authority</u>	
<u>General and Administrative Funds</u>	
- Tenant Security Deposits	\$2,594
<u>Low Rent Public Housing</u>	
- Tenant Security Deposits	\$123,575
- Family Self Sufficiency Escrow Deposits	\$31,364
<u>Section 8 Voucher Program</u>	
- Family Self Sufficiency Escrow Deposits	\$28,827
<u>Section 8 Certificate Program</u>	
- Family Self Sufficiency Escrow Deposits	<u>\$55,190</u>
Total Lorain Metropolitan Housing Authority	<u>\$241,450</u>
<u>Lorain County Elderly Housing Corporation</u>	
Tenant Security Deposits	\$132,787
Trustee Reserves as follows:	
Cumulative Reserve Fund	90,840
Replacement Reserve Fund	117,859
Tax and Insurance Fund	16,680
Reserve account	6,195
Interest account	162,970
Principal account	128,750
Debt Service Fund	<u>268,333</u>
Total Lorain County Elderly Housing Corporation	<u>\$824,414</u>

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 6 Fixed Assets

LMHA and its component unit LHEHC maintain detail fixed assets that track fixed assets by category. The following schedule lists fixed asset balances for individual programs at June 30, 2000.

Lorain Metropolitan Housing Authority

<u>Program</u>	<u>Land</u>	<u>Building</u>	<u>Furniture Equipment</u>	<u>Construction in Progress</u>	<u>Less accumulated Depreciation</u>	<u>NetFixed Assets</u>
General and Administrative Funds	\$111,700	\$ 148,800	\$ 5,524		(\$10,259)	\$ 255,765
Low Rent Public Housing	4,495,558	45,154,346	4,341,830		(22,465,523)	31,499,211
Consolidated Grants Program				2,899,968		2,899,968
Section 8 Voucher Program		848,002	110,257		(204,357)	753,902
Section 8 Certificate Program		69,400				69,400
Total LMHA	<u>\$4,607,258</u>	<u>\$46,228,548</u>	<u>\$4,430,611</u>	<u>\$2,899,968</u>	<u>\$ (22,680,139)</u>	<u>\$35,478,246</u>

Lorain County Elderly Housing Corporation

<u>Program</u>	<u>Land</u>	<u>Building</u>	<u>Furniture Equipment</u>	<u>Construction in Progress</u>	<u>Less accumulated Depreciation</u>	<u>NetFixed Assets</u>
LCEHC	<u>\$324,016</u>	<u>\$5,500,036</u>	<u>\$114,140</u>	<u>\$12,104</u>	<u>(\$3,028,346)</u>	<u>\$2,921,950</u>

Depreciation expense for fiscal year 2000 LMHA and LCEHC were \$1,492,784 and \$158,476 respectively.

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 7 Bonds Payable- Lorain County Elderly Housing Corporation –Component Unit

Bank One Ohio Trust Company

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

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, commencing July 15, 1993. As of June 30, 2000, the outstanding balance is \$5,165,000.

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

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

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

<u>Maturity, Amounts, Interest Rates and Prices</u>			
<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>
2000	130,000	5.20	5.40
2001	140,000	5.35	5.55
2002	145,000	5.50	5.70
2003	<u>155,000</u>	5.60	5.80
Subtotal	<u>\$570,000</u>		

An additional \$4,595,000 term bond with an annual interest rate of 6.375% plus accrued interest from March 1, 1993 is due on July 15, 2019.

The total outstanding bond principal payable at June 30, 2000 is \$5,165,000.

Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 8 Defined Benefit Pension Plan – Public Employees Retirements System

Employees and Plan – Employees of LMHA belong to the Public Employees Retirements System of Ohio (“PERS”), 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 PERS costs.

PERS – PERS 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 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 Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their annual cover salary to PERS. The employer contribution rate for local government employer units is 13.55 percent of covered payroll, including 4.2 percent that is used to fund postretirement health care benefits. The LMHA’s total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for years ended June 30, 2000, 1999, 1998 were \$234,679, \$218,278, and \$201,460 respectively, equal to the required contributions for each year. LCEHC’s allocated total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the for years ended June 30, 2000, 1999, 1998 were \$16,712, \$17,851, and \$27,005 respectively, equal to the required contributions for each year.

Note 9 Postemployment Benefits-Public Employers Retirement System

PERS 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.

A portion of each employer’s contribution to PERS 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 PERS. The portion of employer contributions rate used to fund health care for 1999 was 4.2 percent of covered payroll. During fiscal year 2000 \$105,418 of LMHA’s total contribution to PERS was used for postretirement benefits and \$7,507 of LCEHC’s allocated contribution to PERS was used for postretirement benefits.

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 9 Postemployment Benefits-Public Employers Retirement System-(continued)

OPEB are financed through employer contributions and investment earning 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.

Total PERS expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of PERS benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

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

Note 10 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; errors and omissions; injuries to employees and tenants and natural disasters. During fiscal year 2000, LMHA 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 11 Component Unit of Lorain Metropolitan Housing Corporation

All three Board members of the Lorain County Elderly Housing Corporation (LCEHC) are also members of the Board of Commissioners of the Lorain Metropolitan Housing Authority (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.

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.

**Lorain Metropolitan Housing Authority
Footnotes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 12 Contingent Asset

Lorain Metropolitan Housing Authority is the plaintiff in a lawsuit against Wallick Enterprises, Inc. (defendant). LMHA received a judgment in the principal amount of \$218,988 at the trial court level.

The defendant has appealed the trial court decision to the Franklin County Common Pleas Court.

LMHA's legal counsel anticipates a favorable outcome of this matter. Should LMHA ultimately prevail in this lawsuit, all proceeds received will be used by LMHA for the Low Rent Public Housing Program.

Note 13 Prior Period Audit Adjustments-Lorain County Elderly Housing Corporation

The following prior year audit adjustments were noted in the fiscal year LCEHC 2000 audit:

The LCEHC revised its capitalization policy in fiscal year 2000 to capitalize ranges and refrigerators even though the unit costs of these items was less than \$1,000 unit threshold requiring capitalization. Beginning fixed assets and beginning retained earnings were increased to reflect refrigerator and range purchases with costs of \$54,234 and \$56,316 respectively at International and Harr Projects.

Last year's audit report understated payment in lieu of taxes (PILOT) expenses for both the International and Harr projects.

This understatement reduces retained earnings by \$18,302. The net effect of both adjustments is to increase beginning retained earnings by \$92,248.

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor/Program Title</u>	<u>ACC Contract Number</u>	<u>Project Number/ Grant Number</u>	<u>CFDA Number</u>	<u>Federal Disbursements/ Expenditures (Note A)</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (DIRECT PROGRAM)				
<u>Low Income Housing Assistance Program:</u>				
Public Housing - Operating Subsidy	C-5010	OH01200100J	14.850A	\$6,259,066
Subtotal CFDA # 14.850				6,259,066
Comprehensive Grant Program - 1997		OH12-PO12-707	14.852	199,298
Comprehensive Grant Program - 1998		OH12-PO12-708	14.852	2,398,169
Comprehensive Grant Program - 1999		OH12-PO12-709	14.852	1,129,590
Actual Development Cost Certificates 50 Scattered Sites		OH12-PO12-020	14.852	21,376
Subtotal CFDA # 14.852				3,748,433
<u>Housing Assistance Payment Program (Cluster):</u>				
Section 8 Existing Program (Certificate)	C-1009E	OH012CE	14.857	2,961,358
Section 8 Voucher Program	C-1009E	OH012VO	14.855	7,570,733
Subtotal Housing Assistance Payment Program				10,532,091
Public and Indian Housing Drug Elimination Grant - 1997)H12DEPO120197	14.854	72,825
Public and Indian Housing Drug Elimination Grant - 1998)H12DEPO120198	14.854	195,348
Public and Indian Housing Drug Elimination Grant - 1999)H12DEPO120199	14.854	100,621
Subtotal CFDA # 14.854				368,794
Sheltered Plus Care			14.238	255,391
Economic Development and Supportive Services			14.864	84,913
Section 8 New Construction and Substantial Rehabilitation Program - Concord Manor		OH128023003	14.182	189,266
TOTAL U.S. DEPARTMENT of HOUSING and URBAN DEVELOPMENT ASSISTANCE				21,437,954
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$21,437,954

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 generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

NOTE B: Federal Expenditures for the component unit - Lorain County Elderly Housing Corporation (LCEHC) are excluded from this schedule because these federal expenditures/disbursements were reported separately in LCEHC's OMB Circular A-133 Single Audit Report. LCEHC federal expenditures/disbursements for the fiscal year ended June 30, 2000 were \$1,275,628. LCEHC was funded under the Section 8 New Construction Program which had a federal CFDA Number 14.857.

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	General and Administrative Funds	14.850A Low Rent Public Housing	14.859 Comp Grant	14.855 Section 8 VO Program	14.857 Section 8 Cert Prgm
	ASSETS					
111	Cash - Unrestricted	\$76,723	\$12,337		\$835,687	
113	Cash - Other Restricted (FSS Escrow)				28,827	55,190
114	Cash - Tenant Security Deposits & FSS Deposits		31,364			
100	TOTAL CASH	<u>76,723</u>	<u>43,701</u>	0	<u>864,514</u>	<u>55,190</u>
122	Accounts Receivable - HUD Other Projects			6		
125	Accounts Receivable - Miscellaneous				20,860	140,322
126	A/R Tenants - Dwelling Rents	1,469	43,726			
126.1	Allowance for Doubtful Accounts	(1)	(12,387)		(3)	
128	Fraud Recovery					
128.1	Fraud Recovery - Allowance					
129	Accrued Interest Receivable	1,700	15,873		14,563	61,759
120	TOTAL ACCOUNTS RECEIVABLE	<u>3,168</u>	<u>47,212</u>	6	<u>35,420</u>	<u>202,081</u>
131	Investments - Unrestricted	148,028	2,459,933		682,726	1,478,482
132	Investments - Restricted (Tenants Security - LMHA & Trustee - LCEHC)	2,594	123,375			
142	Prepaid Expenses & Other Assets	705	39,932		13,574	
143	Inventories		232,402			
143.1	Allowance For Obsolete Inventory		(1,162)			
144	Interprogram Due From Other Funds/Entities	105,806	140,357			
150	TOTAL CURRENT ASSETS	<u>337,024</u>	<u>3,085,750</u>	6	<u>1,596,234</u>	<u>1,735,753</u>
161	Land	111,700	4,495,558			
162	Buildings	148,800	45,154,346		848,002	69,400
163	Furniture & Equipment - Dwellings	5,524	3,931,635			
164	Furniture & Equipment - Administration		383,195		110,257	
166	Accumulated Depreciation	(10,259)	(22,465,523)		(204,357)	
167	Construction in Progress			2,899,968		
160	TOTAL FIXED ASSETS, NET	<u>255,765</u>	<u>31,499,211</u>	<u>2,899,968</u>	<u>753,902</u>	<u>69,400</u>
180	TOTAL NON-CURRENT ASSETS	<u>255,765</u>	<u>31,499,211</u>	<u>2,899,968</u>	<u>753,902</u>	<u>69,400</u>
190	TOTAL ASSETS	<u>\$592,789</u>	<u>\$34,584,961</u>	<u>\$2,899,974</u>	<u>\$2,350,136</u>	<u>\$1,805,153</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	14.854 Drug Elimination	14.864 EDSS	14.228 Shelter Plus Care Grant	14.182 Section 8 New Construction Concord Manor	Component Unit 14.182 Section 8 New Cons Prgm	Total Memorandum Only
	ASSETS						
111	Cash - Unrestricted						\$924,747
113	Cash - Other Restricted (FSS Escrow)						84,017
114	Cash - Tenant Security Deposits & FSS Deposits						31,364
100	TOTAL CASH	0	0	0	0	0	1,040,128
122	Accounts Receivable - HUD Other Projects	9,711			41,448		51,165
125	Accounts Receivable - Miscellaneous					2,299	163,481
126	A/R Tenants - Dwelling Rents					3,000	48,195
126.1	Allowance for Doubtful Accounts					(120)	(12,511)
128	Fraud Recovery						0
128.1	Fraud Recovery - Allowance						0
129	Accrued Interest Receivable					43,790	137,685
120	TOTAL ACCOUNTS RECEIVABLE	9,711	0	0	41,448	48,969	388,015
131	Investments - Unrestricted					2,934,588	7,703,757
132	Investments - Restricted (Tenants Security - LMHA & Trustee - LCEHC)					824,414	950,383
142	Prepaid Expenses & Other Assets					969	55,180
143	Inventories						232,402
143.1	Allowance For Obsolete Inventory						(1,162)
144	Interprogram Due From Other Funds/Entities						246,163
150	TOTAL CURRENT ASSETS	9,711	0	0	41,448	3,808,940	10,614,866
161	Land					324,016	4,931,274
162	Buildings					5,500,036	51,720,584
163	Furniture & Equipment - Dwellings					114,140	4,051,299
164	Furniture & Equipment - Administration					12,104	505,556
166	Accumulated Depreciation					(3,028,346)	(25,708,485)
167	Construction in Progress						2,899,968
160	TOTAL FIXED ASSETS, NET	0	0	0	0	2,921,950	38,400,196
180	TOTAL NON-CURRENT ASSETS	0	0	0	0	2,921,950	38,400,196
190	TOTAL ASSETS	\$9,711	\$0	\$0	\$41,448	\$6,730,890	\$49,015,062

**LORAIN METROPOLITAN HOUSING AUTHORITY
COMBINING BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2000**

FDS Line Item No.	Account Description	General and Administrative Funds	14.850A Low Rent Public Housing	14.859 Comp Grant	14.855 Section 8 VO Program	14.857 Section 8 Cert Prgm
	LIABILITIES					
311	Bank Overdraft					
312	Accounts Payable	18,012			14,780	
321	Accrued Wages/Payroll Taxes		77,555		22,243	
322	Accrued Compensated Absences		168,384	21,441	52,687	
331	Accounts Payable - PHA HUD Programs				52,033	129,754
333	Accounts Payable - Other Grants (PILOT & Other)		86,300			
341	Tenant Security Deposits	2,594	123,375			
342	Deferred Revenue - Prepaid HUD Annual Contribution				1,009,889	20,064
343	Current Portion of Long Term Debt					
346	Accrued Liabilities - Other		100,484		12,165	
347	Interprogram Due To Other Funds/Entities	141,295			55,943	
310	TOTAL CURRENT LIABILITIES	<u>161,901</u>	<u>556,098</u>	<u>21,441</u>	<u>1,219,740</u>	<u>149,818</u>
351	Long Term Debt - Net of Current Portion					
353	Non-Current Liabilities - FSS Escrow & Other		83,268		28,744	55,030
350	TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>83,268</u>	<u>0</u>	<u>28,744</u>	<u>55,030</u>
300	TOTAL LIABILITIES	<u>161,901</u>	<u>639,366</u>	<u>21,441</u>	<u>1,248,484</u>	<u>204,848</u>
504	Net PHA HUD Contributions		32,196,805	2,878,533	804,257	118,838
507	Other Contributions	20,500				
	TOTAL CONTRIBUTED CAPITAL	<u>20,500</u>	<u>32,196,805</u>	<u>2,878,533</u>	<u>804,257</u>	<u>118,838</u>
512	Retained Earnings	410,388	1,748,790		297,395	1,481,467
513	TOTAL EQUITY	<u>430,888</u>	<u>33,945,595</u>	<u>2,878,533</u>	<u>1,101,652</u>	<u>1,600,305</u>
600	TOTAL LIABILITIES & EQUITY	<u><u>592,789</u></u>	<u><u>34,584,961</u></u>	<u><u>2,899,974</u></u>	<u><u>2,350,136</u></u>	<u><u>1,805,153</u></u>

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	14.854 Drug Elimination	14.864 EDSS	14.228 Shelter Plus Care Grant	14.182 Section 8 New Construction Concord Manor	Component Unit 14.182 Section 8 New Cons Prgm	Total Memorandum Only
LIABILITIES							
311	Bank Overdraft					48	48
312	Accounts Payable				26,667		59,459
321	Accrued Wages/Payroll Taxes					9,860	109,658
322	Accrued Compensated Absences	3,551				16,070	262,133
331	Accounts Payable - PHA HUD Programs						181,787
333	Accounts Payable - Other Grants (PILOT & Other)					20,837	107,137
341	Tenant Security Deposits					32,787	158,756
342	Deferred Revenue - Prepaid HUD Annual Contribution						1,029,953
343	Current Portion of Long Term Debt					130,000	130,000
346	Accrued Liabilities - Other					33,717	146,366
347	Interprogram Due To Other Funds/Entities	9,711		354		38,860	246,163
310	TOTAL CURRENT LIABILITIES	<u>13,262</u>	<u>0</u>	<u>354</u>	<u>26,667</u>	<u>282,179</u>	<u>2,431,460</u>
351	Long Term Debt - Net of Current Portion					5,035,000	5,035,000
353	Non-Current Liabilities - FSS Escrow & Other						167,042
350	TOTAL NON-CURRENT LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,035,000</u>	<u>5,202,042</u>
300	TOTAL LIABILITIES	<u>13,262</u>	<u>0</u>	<u>354</u>	<u>26,667</u>	<u>5,317,179</u>	<u>7,633,502</u>
504	Net PHA HUD Contributions						35,998,433
507	Other Contributions				2,579	659,592	682,671
	TOTAL CONTRIBUTED CAPITAL	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,579</u>	<u>659,592</u>	<u>36,681,104</u>
512	Retained Earnings	(3,551)		(354)	12,202	754,119	4,700,456
513	TOTAL EQUITY	<u>(3,551)</u>	<u>0</u>	<u>(354)</u>	<u>14,781</u>	<u>1,413,711</u>	<u>41,381,560</u>
600	TOTAL LIABILITIES & EQUITY	<u>9,711</u>	<u>0</u>	<u>0</u>	<u>41,448</u>	<u>6,730,890</u>	<u>49,015,062</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	General and Administrative Funds	14.850A Low Rent Public Housing	14.859 Comp Grant	14.855 Section 8 VO Program	14.857 Section 8 Cert Prgm
REVENUE						
703	Net Tenant Rental Revenue	\$43,346	\$1,964,076	\$0	\$0	\$0
704	Tenant Revenue - Other	1,306	191,586			
705	TOTAL TENANT REVENUE	44,652	2,155,662	0	0	0
706	PHA HUD Grants		2,701,146	649,226		
706.010	Housing Assistance Payments				7,549,176	2,963,746
708	Other Government Grants					
711	Investment Income - Unrestricted	8,274	130,000		26,000	141,000
714	Fraud Recovery					53,654
715	Other Revenue	26,811	38,131		23,052	
720	Investment Income - Restricted	12	9,955		626	832
	TOTAL REVENUE	79,749	5,034,894	649,226	7,598,854	3,159,232
EXPENSES						
911	Administrative Salaries		805,908	231,216	413,126	166,535
912	Auditing Fees		9,376		4,400	1,711
913	Outside Management Fees					
914	Compensated Absences		2,656		698	271
915	Employee Benefit Contribution - Administrative		190,166	63,262	196,135	77,640
916	Other Operating - Administrative	18,161	223,854	69,872	71,404	27,769
921	Tenant Services - Salaries		42,316		17,557	
923	Employee Benefit Contributions - Tenant		16,972		2,296	
924	Tenant Services - Other		11,939			
931	Water	1,065	155,592		177	69
932	Electricity	4,455	320,751		5,427	2,111
933	Gas	3,789	198,195		1,544	601
938	Other Utility		261,826			
941	Ordinary Maintenance and Operation - Labor	1,302	824,386			
942	Ordinary Maintenance and Operation - Materials	1,756	357,945			
943	Ordinary Maintenance and Operation - Cont Cost	5,967	591,727			
945	Employee Benefit Contribution - Ord Maintenance		209,245			
952	Protective Services - Other Cont Costs			198,027		
961	Insurance Premiums		108,451		3,362	1,307
962	Other General Expenses	725		86,849	76,645	32,068
963	PILOT	256	90,732			
964	Bad Debts - Tenant Rents		165,855			
967	Interest Expense - HUD & Others				4,056	
969	TOTAL OPERATING EXPENSES	37,476	4,587,892	649,226	796,827	310,082
970	EXCESS OPERATING REVENUE OVER EXPENSES	42,273	447,002	0	6,802,027	2,849,150

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	14.854 Drug Elimination	14.864 EDSS	Shelter Plus Care Grant	14.128 Section 8 New Construction Concord Manor	Component Unit 14.182 Section 8 New Cons Prgm	Total Memorandum Only
REVENUE							
703	Net Tenant Rental Revenue	\$0	\$0			\$442,813	\$2,450,235
704	Tenant Revenue - Other					7,476	2,014,898
705	TOTAL TENANT REVENUE	0	0	0	0	450,289	4,465,133
706	PHA HUD Grants	415,360	84,910		204,047		4,054,689
706.010	Housing Assistance Payments					757,575	11,270,497
708	Other Government Grants			234,346			234,346
711	Investment Income - Unrestricted					170,000	475,274
714	Fraud Recovery						53,654
715	Other Revenue						87,994
720	Investment Income - Restricted					19,218	107,212
	TOTAL REVENUE	415,360	84,910	234,346	204,047	1,397,082	20,748,799
EXPENSES							
911	Administrative Salaries					138,644	1,755,429
912	Auditing Fees				46	3,450	18,983
913	Outside Management Fees					21,634	21,634
914	Compensated Absences					317	3,942
915	Employee Benefit Contribution - Administrative					45,149	572,352
916	Other Operating - Administrative		17,174	20,789	576	23,382	472,981
921	Tenant Services - Salaries		40,535				100,408
923	Employee Benefit Contributions - Tenant						19,268
924	Tenant Services - Other	240,647	27,204				279,790
931	Water					12,636	169,539
932	Electricity					176,877	509,621
933	Gas					1,005	205,134
938	Other Utility					33,990	295,816
941	Ordinary Maintenance and Operation - Labor					41,256	866,944
942	Ordinary Maintenance and Operation - Materials					16,301	376,002
943	Ordinary Maintenance and Operation - Cont Cost					220,848	818,542
945	Employee Benefit Contribution - Ord Maintenance					10,370	219,615
952	Protective Services - Other Cont Costs	128,147					326,174
961	Insurance Premiums					16,793	129,913
962	Other General Expenses					1,500	197,787
963	PILOT					20,837	111,825
964	Bad Debts - Tenant Rents					5,170	171,025
967	Interest Expense - HUD & Others					326,993	492,848
969	TOTAL OPERATING EXPENSES	368,794	84,913	20,789	622	1,117,152	8,135,572
970	EXCESS OPERATING REVENUE OVER EXPENSES	46,566	(3)	213,557	203,425	279,930	12,613,227

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	General and Administrative Funds	14.850A Low Rent Public Housing	14.859 Comp Grant	14.855 Section 8 VO Program	14.857 Section 8 Cert Prgm
	OTHER EXPENSES					
971	Extraordinary Maintenance		124,589			
972	Casualty Losses - Noncapitalized		49,645			
973	Housing Assistance Payments				6,760,440	2,646,039
974	Depreciation Expense	4,735	1,469,346		13,466	5,237
975	Fraud Loss		27,594			
900	TOTAL EXPENSES	<u>42,211</u>	<u>6,259,066</u>	<u>649,226</u>	<u>7,570,733</u>	<u>2,961,358</u>
1000	EXCESS OF REVENUE OVER EXPENSES	37,538	(1,224,172)	0	28,121	197,874
1101	Capital Outlays - Enterprise Fund			2,611,015		
1103	Beginning Equity As Adjusted	393,350	35,169,767	267,518	1,073,531	1,402,431
1104	Prior Period Audit Adjustment and Equity Transfers					
	ENDING EQUITY - JUNE 30, 2000	<u>\$430,888</u>	<u>\$33,945,595</u>	<u>\$2,878,533</u>	<u>\$1,101,652</u>	<u>\$1,600,305</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	14.854 Drug Elimination	14.864 EDSS	Shelter Plus Care Grant	14.128 Section 8 New Construction Concord Manor	Component Unit 14.182 Section 8 New Cons Prgm	Total Memorandum Only
	OTHER EXPENSES						
971	Extraordinary Maintenance						124,589
972	Casualty Losses - Noncapitalized						49,645
973	Housing Assistance Payments			234,602	188,644		9,829,725
974	Depreciation Expense					158,476	1,651,260
975	Fraud Loss						27,594
900	TOTAL EXPENSES	<u>368,794</u>	<u>84,913</u>	<u>255,391</u>	<u>189,266</u>	<u>1,275,628</u>	<u>19,818,385</u>
1000	EXCESS OF REVENUE OVER EXPENSES	46,566	(3)	(21,045)	14,781	121,454	(798,886)
1101	Capital Outlays - Enterprise Fund						2,611,015
1103	Beginning Equity As Adjusted	(50,117)	3	20,691	0	1,200,009	39,477,183
1104	Prior Period Audit Adjustment and Equity Transfers					92,248	92,248
	ENDING EQUITY - JUNE 30, 2000	<u>(\$3,551)</u>	<u>\$0</u>	<u>(\$354)</u>	<u>\$14,781</u>	<u>\$1,413,711</u>	<u>\$41,381,560</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
 ADDITIONAL INFORMATION REQUIRED BY HUD
 FDS SCHEDULE SUBMITTED TO HUD
 PROPRIETARY FUND TYPE
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2000

FDS Line Item No.	Account Description	General and Administrative Funds	14.850A Low Rent Public Housing	14.855 Section 8 VO Program	14.857 Section 8 Cert Prgm	14.228 Shelter Plus Care Grant	14.128 Section 8 New Construction Concord Manor	Component Unit	Total Memorandum Only
								14.182 Section 8 New Cons Prgm	
1112	Depreciation Add Back	\$4,735	\$1,469,346	\$13,466	\$5,237			\$158,476	\$1,651,260
1113	Maximum Annual Contributions (Per ACC)			9,737,442	3,361,557		222,700		13,321,699
1114	Prorate Maximum Annual Contributions Applicable to a Period of Less Than Twelve Months			1,189,929					1,189,929
1115	Contingency Reserve, ACC Program Reserve						21,844		21,844
1116	Total Annual Contributions Available			10,927,371	3,361,557		248,844		14,537,772
1120	Unit Months Available	96	17,460	18,744	7,614	720	600	2,400	47,634
1121	Number of Unit Months Leased	96	16,932	17,975	7,614	720	600	2,334	46,271

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF COMPLETED GRANTS/CERTIFICATES
DURING THE FISCAL YEAR ENDED JUNE 30, 2000**

DESCRIPTION	Note A OH12-PO12- 707-CGP-1997	Note B OH12DEP- 01201097 (Drug Grant)	Note C OH12PO12020 50 Scattered Sites
Funds Approved - Latest Budget	\$2,534,759	\$372,580	\$4,794,000
Funds Advanced	2,534,759	372,580	4,794,000
Funds Expended	<u>2,534,759</u>	<u>372,580</u>	<u>4,794,000</u>
Difference Between Funds Advanced and Funds Expended	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

NOTE A - THIS ACTUAL COMPREHENSIVE GRANT COST CERTIFICATE (ACGCC) WAS COMPLETED BY THE LORAIN METROPOLITAN HOUSING AUTHORITY DURING FISCAL YEAR 2000 AND THE FINAL REPORT SUBMITTED TO HUD ON JANUARY 10, 2000.

NOTE B - THIS DRUG ELIMINATION GRANT WAS COMPLETED BY THE LORAIN METROPOLITAN HOUSING AUTHORITY DURING FISCAL YEAR 2000 AND THE FINAL REPORT SUBMITTED TO HUD ON DECEMBER 16, 1999.

NOTE C - THIS ACTUAL DEVELOPMENT COST CERTIFICATE (ADCC) WAS COMPLETED BY LORAIN METROPOLITAN DURING FISCAL YEAR 2000 AND THE FINAL REPORT SUBMITTED TO HUD ON OCTOBER 14, 1999.

NOTE D - 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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2000**

Lorain Metropolitan Housing Authority (LMHA) had 3,719 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 Year</u>
Lorain Metropolitan Housing Authority		
Low Income Public Housing	1,455	1,411
Section 8 Certificates	634	634
Section 8 Vouchers	1,562	1,498
Sheltered Plus Care	60	60
General Fund - Not HUD Funded	8	8
Concord Manor	50	50
Sub-Total	3,769	3,661
Lorain County Elderly Housing Corporation		
Section 8 New Construction	200	195
Total LMHA & LCEHC	3,969	3,856

WATSON RICE & CO

Certified Public Accountants
A Professional Corporation

601 City Club Building
850 Euclid Avenue
Cleveland, Ohio 44114
(216) 696-0767
(216) 696-1145 Fax

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

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

We have audited the 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, 2000 for the year then ended and have issued our report thereon dated January 22, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 operation 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 January 22, 2001.

To the Members of the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Page 31

This report is intended for the information of the boards of LMHA and LCEHC, management, others within the organization, the Auditor of State and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Watson, Rice & Co.

January 22, 2001

WATSON RICE&CO

Certified Public Accountants
A Professional Corporation

601 City Club Building
850 Euclid Avenue
Cleveland, Ohio 44114
(216) 696-0767
(216) 696-1145 Fax

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

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

We have audited the Lorain Metropolitan's Housing Authority's (LMHA) compliance and its discretely presented component unit-Lorain County Elderly Housing Corporation's (LCEHC) 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, 2000. LMHA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LMHA's management. Our responsibility is to express an opinion on the LMHA's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, OMB-Circular A-133 - "Audits of States Local Governments, and Non-Profit Organizations" and the provision of the Public and Indian Housing Supplement, PIH notice 97-30. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LMHA's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe the out audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the LMHA's compliance with those requirements.

In our opinion, LMHA and LCEHC complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

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 cause 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 boards of LMHA and LCEHC, management, others within the organization, the Auditor of State and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Watson, Rice & Co.

January 22, 2001

LORAIN COUNTY METROPOLITAN HOUSING AUTHORITY
Summary of Findings and Questioned Costs
For the Year Ended June 30, 2000

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of Financial Statement Opinion - Unqualified.

-

Internal Control Over Financial Reporting

- Material weaknesses identified? - No.

- Reportable conditions identified that are not considered to be material weaknesses? - None reported.

- Noncompliance material to financial statements noted? - No.

Federal Awards

- Material weaknesses identified? - No.

- Reportable conditions identified that are not considered to be material weaknesses? - None Reported

- Type of auditor's report issued on compliance for major programs? Unqualified.

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? - No.

Identification of Major Programs

- A. Low Income Housing Assistance Program - CFDA #14.850. Low Risk Type A program.

- B. Section 8 Existing Program (Certificate)- CFDA #14.855 Low Risk Type A program.

- C. Section 8 Voucher Program (Certificate)- CFDA #14.855 Low Risk Type A program

- D. Audited 77.99% of total LMHA federal expenses for fiscal year 2000 as major federal programs.
 - Dollar Threshold used for Type A and Type B Programs - \$634,139.

 - Auditee Risk Assessment - Low Risk Auditee because of no material weaknesses or questioned costs for the previous two fiscal year audits.

LORAIN METROPOLITAN HOUSING AUTHORITY
Summary of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2000

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None for fiscal year 2000.

LORAIN METROPOLITAN HOUSING AUTHORITY
Reporting Status of All Federal Audit Findings From Previous Audits.
For the Fiscal Year Ended June 30, 2000

No outstanding federal audit findings from previous years audits.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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
MARCH 6, 2001**