

**LORAIN METROPOLITAN HOUSING AUTHORITY**

**SINGLE AUDIT REPORT**

**JUNE 30, 2001**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Commissioners  
Lorain Metropolitan Housing Authority  
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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, 2000 through June 30, 2001. 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 4, 2002

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# LORAIN METROPOLITAN HOUSING AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

November 8, 2001

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

We have audited the accompanying balance sheet 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, 2001 and the related statements of revenue, expenses, and changes in equity and statement of cash flows for the fiscal year 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 audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note C to the financial statements, LMHA and the component unit changed their method of accounting for ranges and refrigerators.

To the Board of Commissioners of  
Lorain Metropolitan Housing Authority  
Lorain, Ohio  
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In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 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 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

## Balance Sheet

	June 30, 2001		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 4,668,825	\$ 2,667,558	\$ 7,336,383
Restricted cash and investments for tenant security deposits	201,033	35,638	236,671
Unrestricted investments	1,884,126	152,730	2,036,856
Restricted investments	140,281	710,583	850,864
Intergovernmental accounts receivable - HUD	77,019		77,019
Accounts receivable	24,453	1,490	25,943
Due from other funds/programs	304,126	34,168	338,294
Accounts receivable - other	118,590	1,230	119,820
Prepaid expenses	66,514	1,865	68,379
Inventory	243,514		243,514
Accrued interest receivable	117,549	747	118,296
<b>TOTAL CURRENT ASSETS</b>	<b>7,846,030</b>	<b>3,606,009</b>	<b>11,452,039</b>
<b>Non-Current Assets</b>			
Land, property and equipment	55,862,290	6,297,682	62,159,972
Less accumulated depreciation	( 25,141,137)	( 3,094,960)	( 28,236,097)
	<u>30,721,153</u>	<u>3,202,722</u>	<u>33,923,875</u>
	<b><u>\$38,567,183</u></b>	<b><u>\$ 6,808,731</u></b>	<b><u>\$45,375,914</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 175,996	\$ 119,097	\$ 295,093
Accounts payable - HUD	260,828		260,828
Due to other funds/programs	338,294		338,294
Security and other trust deposits	130,488	35,638	166,126
Accrued wages and fringe benefits	102,307	7,079	109,386
Accrued compensated absences	248,136	12,917	261,053
Accrued interest		145,000	145,000
PILLOT payable	63,255	22,159	85,414
Other accrued liabilities	419,589		419,589
Deferred revenues - prepaid annual contribution - HUD	1,136,226		1,136,226
Bonds payable - current portion		140,000	140,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,875,119</b>	<b>481,890</b>	<b>3,357,009</b>
<b>Non-Current Liabilities</b>			
Long-term bonds payable		4,895,000	4,895,000
<b>Equity</b>			
Contributed capital	29,684,717		29,684,717
Retained earnings	6,007,347	1,431,841	7,439,188
	<u>35,692,064</u>	<u>1,431,841</u>	<u>37,123,905</u>
	<b><u>\$38,567,183</u></b>	<b><u>\$ 6,808,731</u></b>	<b><u>\$45,375,914</u></b>

See Notes to Financial Statements

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Statement of Revenues, Expenses and Changes in Equity

	June 30, 2001		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
Operating revenue			
HUD grants/subsidies	\$16,766,801	\$ 763,448	\$17,530,249
Tenant rental income	1,925,458	456,608	2,382,066
Other tenant revenue	179,139	9,566	188,705
Other revenues	119,077		119,077
Unrestricted investment income	<u>338,943</u>	<u>42,948</u>	<u>381,891</u>
Total operating revenues	<u>19,329,418</u>	<u>1,272,570</u>	<u>20,601,988</u>
Operating expenses			
Housing assistance payments	11,581,384		11,581,384
Administrative salaries	1,668,485	123,255	1,791,740
Management fees	21,625	18,704	40,329
Tenant services - salaries and other	362,178	75	362,253
Compensated absences	21,157	2,876	24,033
Employee benefits - administration	509,369	28,368	537,737
Other administrative expense	27		27
Ordinary material and labor and employee benefit contributions	1,105,429	159,705	1,265,134
Contract services	776,067	117,792	893,859
Employee benefits - maintenance	246,856	28,366	275,222
Protective services - salaries and other	297,638		297,638
Utilities	1,128,694	217,309	1,346,003
General expenses and insurance	487,638	57,296	544,934
Payment in lieu of taxes	55,986	22,159	78,145
Bad debt expense	102,013	6,800	108,813
Extraordinary maintenance noncapitalized casualty and fraud loss	396,006		396,006
Depreciation expense	<u>2,138,413</u>	<u>138,736</u>	<u>2,277,149</u>
Total operating expenses	<u>20,898,965</u>	<u>921,441</u>	<u>21,820,406</u>
Operating income (loss)	( 1,569,547)	351,129	( 1,218,418)
Non-operating revenue (expenses)			
Restricted interest income	125	176,250	176,375
Interest expense - debt		( 317,565)	( 317,565)
Net income (loss) before cumulative effect of change in accounting	( 1,569,422)	209,814	( 1,359,608)
Cumulative effect of change in accounting	( 284,917)	( 42,378)	( 327,295)
NET INCOME (LOSS)	( 1,854,339)	167,436	( 1,686,903)
Equity, beginning of year	39,967,849	1,413,711	41,381,560
Capital grants recognized during the year	1,292,074		1,292,074
Prior period audit adjustment	<u>3,713,520</u>	( 149,306)	( 3,862,826)
<b>Equity, end of year</b>	<b><u>\$35,692,064</u></b>	<b><u>\$ 1,431,841</u></b>	<b><u>\$37,123,905</u></b>

See Notes to Financial Statements

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Statement of Cash Flows

	June 30, 2001		
	Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total Memorandum Only
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	(\$1,569,547)	\$ 351,129	(\$1,218,418)
Adjustments to reconcile net income (loss) to net cash provided by (used) for operating activities:			
Depreciation	2,423,330	181,114	2,604,444
Cumulative effect of change in accounting (Increase) decrease in operating assets:	( 284,917)	( 42,378)	( 327,295)
Cash restricted for security deposit	167,496	( 2,581)	164,915
Accounts receivable - tenants	8,351	1,390	9,741
Intergovernment accounts receivable	( 67,302)		( 67,302)
Accounts receivable - other	42,592	1,069	43,661
Prepaid expenses	( 12,303)	( 896)	( 13,199)
Inventory	( 12,274)		( 12,274)
Due from other programs/entities	( 57,963)	( 34,168)	( 92,131)
Accrued interest receivable	( 22,248)	41,637	19,389
Increase (decrease) in operating liabilities:			
Accounts payable - trade	122,793	85,332	208,125
Due to other program/entities	391,819	( 38,860)	352,959
Security deposits and other trust funds	( 162,523)	2,851	( 159,672)
Accrued wages and payroll taxes	2,509	( 2,781)	( 272)
Compensated absences	2,073	( 3,153)	( 1,080)
Accrued interest		( 2,900)	( 2,900)
PILOT payable	( 23,045)	1,322	( 21,723)
Other accrued liabilities	144,158		144,158
Prepaid annual contribution	106,273		106,273
Net cash provided by operating activities	1,199,272	538,127	1,737,399
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>			
Capital grants	1,292,074		1,292,074
Interest paid on bonds		( 317,565)	( 317,565)
Payment of bond principal		( 130,000)	( 130,000)
Purchases of land, structures and equipment	( 1,365,335)	( 461,527)	( 1,826,862)
Net cash used by capital financing activities	( 73,261)	( 909,092)	( 982,353)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	125	176,250	176,375
Purchases of investments	( 370,000)	( 1,805,300)	( 2,175,300)
Proceeds from sale of investments	2,987,942	4,667,573	7,655,515
Net cash provided by investing activities	2,618,067	3,038,523	5,656,590
Increase in cash and cash equivalents	3,744,078	2,667,558	6,411,636
Cash and cash equivalents - beginning of year	924,747		924,747
<b>Cash and cash equivalents - end of year</b>	<b><u>\$4,668,825</u></b>	<b><u>\$2,667,558</u></b>	<b><u>\$7,336,383</u></b>

See Notes to Financial Statements

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### 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.

#### **Lorain Metropolitan Housing Authority**

LMHA was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. In accordance with an Annual Contributions Contract (C-5010) between the 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) 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.

#### **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.

#### **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.

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **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 Loran 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 definition of enterprise fund is described below.

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.

#### **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.

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### 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. See Note C for change in accounting policy.

#### 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 employee vacation hour balance.

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.

#### Indirect Cost

Certain indirect costs are charged to programs under a cost allocation plan costs.

#### Inventory

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

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Allowance for Doubtful Accounts - Tenants and Bad Debt Expenses**

LMHA and its component unit LCEHC, with the Board of Commissioners approval, recognize as a bad debt expense unpaid tenants' 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. At June 30, 2001, the allowance for doubtful accounts was \$10,724 for LMHA and \$507 for LCEHC.

#### **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.

#### **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).

#### **Investments**

Investments for both LMHA and LCEHC consist of certificates of deposits, U. S. Treasury Bills, and other federal government financial statements. 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.

# **LORAIN METROPOLITAN HOUSING AUTHORITY**

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## **Notes to Financial Statements Year Ended June 30, 2001**

### **NOTE C - CHANGE IN ACCOUNTING PRINCIPLE**

LMHA and LCEHC revised their capitalization policy in fiscal year 2001 to not capitalize ranges and refrigerators, which had previously been capitalized regardless of cost. Both LMHA and LCEHC believe that this change more accurately reflects the true economic lives of these expenditures and are consistent with current capitalization policies. The cumulative effect of the change on prior years of \$284,917 for LMHA and \$42,378 for LCEHC is a one-time decrease to income. Pro forma amounts are not presented for the effect of this change for year ended June 20, 2000, since the amount has not been calculated.

### **NOTE D - 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 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.

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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 LMHA or LCEHC's name.
  
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent 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).

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Notes to Financial Statements Year Ended June 30, 2001

### NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

#### 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.

#### **Deposits**

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 \$7,445,605 and the bank balance was \$10,214,219. The difference represents outstanding checks and other in transit transactions of the bank balance.

- (1) \$100,000 was covered by federal depository insurance.
- (2) \$11,114,219 was covered by pledged securities held by the banking institution.
- (3) \$-0- was not collateralized.

#### **Investments**

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

<u>Description</u>	<b>LMHA</b> Risk Category			<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	
Certificates of deposit	\$1,917,930	-	-	\$1,917,930
U.S. Treasury bills, Federal Reserve	-	-	\$ 233,926	233,926
Total LMHA	<u>\$1,917,930</u>	<u>\$ -0-</u>	<u>\$ 233,926</u>	<u>\$2,151,856</u>

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Description</u>	<b>LCEHC</b>			<u>Fair Value</u>
	Risk Category			
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	
Certificates of deposits	\$ 21,329	-	-	\$ 21,329
Bank One trust funds	-	\$ 841,984	-	841,984
Total LCEHC	<u>\$ 21,329</u>	<u>\$ 841,984</u>	<u>\$ -0-</u>	<u>\$ 863,313</u>
Total LMHA and LCEHC	<u>\$1,939,259</u>	<u>\$ 841,984</u>	<u>\$ 233,926</u>	<u>\$3,015,169</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	\$4,668,825	\$2,667,558	\$ 7,336,383
Unrestricted investments	2,011,575	152,730	2,164,305
Restrict cash and investment - tenant security deposits and FSS deposits	73,584	35,638	109,222
Restricted investments - trustee and endowment fund	<u>140,281</u>	<u>710,583</u>	<u>850,864</u>
Total	<u>\$6,894,265</u>	<u>\$3,566,509</u>	<u>\$10,460,774</u>
Carrying amounts of deposits	\$4,742,409	\$2,703,196	\$ 7,445,605
Carrying amounts of investments	<u>2,151,856</u>	<u>863,313</u>	<u>3,015,169</u>
Total	<u>\$6,894,265</u>	<u>\$3,566,509</u>	<u>\$10,460,774</u>

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE E - RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES

At June 30, 2001, LMHA and its component unit LCEHC had the following restricted cash and restricted reserves:

Lorain Metropolitan Housing Authority	
General and Administrative Funds	
Endowment fund	\$ 140,281
Low Rent Public Housing	
Tenant security deposits	127,449
Family self-sufficiency escrow deposits	19,207
Section 8 Voucher Program	
Family self-sufficiency escrow deposits	50,586
Section 8 Certificate Program	
Family self-sufficiency escrow deposits	<u>3,791</u>
Total Lorain Metropolitan Housing Authority	<u>\$ 341,314</u>
Lorain County Elderly Housing Corporation	
Tenant security deposits	\$ 35,638
Trustee reserves as follows:	
Cumulative reserve fund	-
Replacement reserve fund	127,522
Tax and insurance fund	11,562
Reserve account	4,628
Interest account	158,538
Principal account	140,000
Debt service fund	<u>268,333</u>
Total Lorain County Elderly Housing Corporation	<u>\$ 746,221</u>

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Notes to Financial Statements Year Ended June 30, 2001

### NOTE F - FIXED ASSETS

LMHA and its component unit LCEHC maintain detail fixed assets that list fixed assets by category. The following schedule lists fixed asset balances for individual programs at June 30, 2001.

Lorain Metropolitan Housing Authority						
Program	Land	Building & Improvements	Furniture, Vehicles & Equipment	Construction In Progress	Less Accumulated Depreciation	Net Fixed Assets
General and administrative funds	\$ 71,100	\$ 189,400	\$ -	\$ -	\$ 14,994	\$ 245,506
Low rent public housing	4,495,558	46,988,763	1,136,702	-	24,838,114	27,782,909
Public housing capital fund		-	95,452	-	14,407	81,045
Consolidated grants program	-	1,666,427	-	215,431	55,548	1,826,310
Section 8 voucher program	-	848,002	86,055	-	218,074	715,983
Section 8 certificate program	69,400	-	-	-	-	69,400
Total LMHA	<u>\$4,636,058</u>	<u>\$49,692,592</u>	<u>\$1,318,209</u>	<u>\$ 215,431</u>	<u>\$25,141,137</u>	<u>\$30,721,153</u>

Lorain County Elderly Housing Corporation						
Program	Land	Building & Leasehold Improvement	Furniture Vehicles & Equipment	Construction In Progress	Less Accumulated Depreciation	Net Fixed Assets
LCEHC	<u>\$324,016</u>	<u>\$5,500,036</u>	<u>\$ 30,628</u>	<u>\$ 443,002</u>	<u>\$3,094,960</u>	<u>\$ 3,202,722</u>

Depreciation expense for fiscal year 2001 LMHA and LCEHC were \$2,134,413 and \$138,736, respectively.

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE G - 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 15<sup>th</sup> and July 15<sup>th</sup>, commencing July 15, 1993.

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:

Maturity, Amounts, Interest Rates and Prices			
<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>
2001	140,000	5.35%	5.55%
2002	145,000	5.50%	5.70%
2003	155,000	5.60%	5.80%
2019	<u>4,595,000</u>	6.375%	6.454%
Subtotal	<u>\$5,035,000</u>		

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE H - DEFINED BENEFIT PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT SYSTEM

#### Employees and Plan

Employees of LMHA belong to the Public Employees Retirement 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. The employee contribution rate is 8.5 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. The 2000 employer contribution rate for local government employer units was 10.84 percent of covered payroll, 6.54 percent to fund the pension and 4.3 percent to fund health care. The 1999 and 1998 employer contribution rates were 13.55 percent. The LMHA's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for years ended June 30, 2001, 2000, and 1999 were \$242,355, \$234,679, and \$218,278, 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 years ended June 30, 2001, 2000, and 1999 were \$17,061, \$16,712, and \$17,851, respectively, equal to the required contributions for each year.

### NOTE I - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES 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.

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Notes to Financial Statements Year Ended June 30, 2001

### NOTE I - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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 2001 was 4.3 percent of covered payroll. During fiscal year 2001 \$96,142 of LMHA's total contribution to PERS was used for postretirement benefits and \$6,768 of LCEHC's allocated contribution to PERS was used for postretirement benefits.

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 PERS of Ohio's latest actuarial review performed as of December 31, 1999. 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 1999 was 7.75 percent. An annual increase of 4.75 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 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 401,339. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 1999 was \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

# **LORAIN METROPOLITAN HOUSING AUTHORITY**

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## **Notes to Financial Statements Year Ended June 30, 2001**

### **NOTE J - 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 K - 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.

### **NOTE L - CONTINGENCIES**

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, which has been appealed by the defendant.

LMHA's legal counsel anticipates a favorable outcome of this matter. As of June 30, 2001 the financial statements do not reflect any possible recovery.

### **NOTE M - PRIOR PERIOD AUDIT ADJUSTMENTS - LORAIN COUNTY ELDERLY HOUSING CORPORATION**

Equity at the beginning of June 30, 2001 has been adjusted to correct errors for interest accrued to the wrong program of \$1,406 and to accrue interest on bonds payable of \$147,900 for the year ended June 30, 2000. Had the errors not been made, income for the year ended June 30, 2000, would have been reduced by \$149,306.

# **LORAIN METROPOLITAN HOUSING AUTHORITY**

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## **Notes to Financial Statements**

**Year Ended June 30, 2001**

### **NOTE N - PRIOR PERIOD AUDIT ADJUSTMENTS - LORAIN METROPOLITAN HOUSING AUTHORITY**

Equity at the beginning of June 30, 2001 has been adjusted to correct errors for an overstatement of fixed assets of \$3,698,739 and under accrual of management fees of \$14,781. Had the errors not been made, the ending equity for the year ended June 30, 2000, would have been reduced by \$3,713,520. The errors would have reduced prior year income for the year ended June 30, 2000 by \$14,781.

### **NOTE O - SUBSEQUENT EVENT**

Subsequent to year end, LMHA sustained property damage to one of its rental properties totaling approximately \$300,000. LMHA is in current negotiations with its insurer for replacement. No provision for this item has been recorded in the financial statements.

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Schedule of Expenditures of Federal Awards Year Ended June 30, 2001

<u>Federal Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u> (Note A)
U. S. Department of Housing and Urban Development (Direct Program)		
Low Income Housing Assistance Program:		
Public Housing - Operating Subsidy	14.850	\$ 2,953,146
Comprehensive Grant Program	14.852	1,678,418
Housing Assistance Payment Program (Cluster):		
Section 8 Existing Program (Certificate)	14.857	149,545
Section 8 Voucher Program	14.855	<u>12,366,679</u>
Total Housing Assistance Payment Program		12,516,224
Public and Indian Housing Drug Elimination Grant	14.854	245,904
Sheltered Plus Care	14.238	222,133
Economic Development and Supportive Services	14.864	50,543

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Schedule of Expenditures of Federal Awards Year Ended June 30, 2001

<u>Federal Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
		(Note A)
U. S. Department of Housing and Urban Development (Direct Program) (Continued)		
Section 8 New Construction and Substantial Rehabilitation Program - Concord Manor (Passed through to subrecipient)	14.182	199,213
Public Housing Capital Fund Program	14.872	<u>193,294</u>
<b>Total Federal Financial Assistance (All U.S. Dept. of HUD)</b>		<b><u>\$18,058,875</u></b>

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, 2001 were \$763,448. 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

Year Ended June 30, 2001

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	New Approach Anti Drug
<b>ASSETS</b>							
111	Cash - unrestricted	\$ 52,356	\$ 2,554,299		\$1,893,062	\$ 169,108	
113	Cash - other restricted		19,207		50,586	3,791	
114	Cash - tenant security deposits						
100	<b>TOTAL CASH</b>	<u>52,356</u>	<u>2,573,506</u>	<u>\$ -0-</u>	<u>1,943,648</u>	<u>172,899</u>	<u>\$ -0-</u>
122	Accounts receivable - HUD other projects			76,991		1	27
125	Accounts receivable - miscellaneous					118,590	
126	A/R tenants - dwelling rents	256	34,921				
126.1	Allowance for doubtful accounts	( 1)	( 10,723)				
129	Accrued interest receivable	6,772	4,313		105,783	681	
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	<u>7,027</u>	<u>28,511</u>	<u>76,991</u>	<u>105,783</u>	<u>119,272</u>	<u>27</u>
131	Investments - unrestricted		106,477		296,182	1,481,467	
132	Investments - restricted (Tenants security - LMHA and Trustee - LCEHC)	140,281	127,449				
142	Prepaid expenses and other assets	205	57,278		9,031		
143	Inventories		243,614				
143.1	Allowance for obsolete inventory		( 100)				
144	Interprogram due from other funds/entities	182,926	97,063				
150	<b>TOTAL CURRENT ASSETS</b>	<u>382,795</u>	<u>3,233,798</u>	<u>76,991</u>	<u>2,354,644</u>	<u>1,773,638</u>	<u>27</u>
161	Land	71,100	4,495,558			69,400	
162	Buildings	189,400	46,988,763	1,666,427	848,002		
163	Furniture and equipment - dwelling		755,415				
164	Furniture and equipment - administration		381,287		86,055		
166	Accumulated depreciation	( 14,994)	( 24,838,114)	( 55,548)	( 218,074)		
167	Construction in progress			215,431			
160	<b>TOTAL FIXED ASSETS, NET</b>	<u>245,506</u>	<u>27,782,909</u>	<u>1,826,310</u>	<u>715,983</u>	<u>69,400</u>	
180	<b>TOTAL NON-CURRENT ASSETS</b>	<u>245,506</u>	<u>27,782,909</u>	<u>1,826,310</u>	<u>715,983</u>	<u>69,400</u>	
190	<b>TOTAL ASSETS</b>	<u><b>\$ 628,301</b></u>	<u><b>\$31,016,707</b></u>	<u><b>\$1,903,301</b></u>	<u><b>\$3,070,627</b></u>	<u><b>\$1,843,038</b></u>	<u><b>\$ 27</b></u>

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Combining Balance Sheet

### FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds

Year Ended June 30, 2001

FDS Line Item No.	Account Description	Capital Fund	14.854 Drug Elimination	14.864 EDSS	14.228 Shelter Plus Care Grant	14.182 Section 8 New Construction Concord Manor	Component Unit 14.855 Section 8 New Cons Program	Total Memorandum Only
<b>ASSETS</b>								
111	Cash - unrestricted						\$2,667,558	\$ 7,336,383
113	Cash - other restricted							73,584
114	Cash - tenant security deposits						35,638	35,638
100	<b>TOTAL CASH</b>	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	2,703,196	7,445,605
122	Accounts receivable - HUD other projects							77,019
125	Accounts receivable - miscellaneous						1,230	119,820
126	A/R tenants - dwelling rents						1,997	37,174
126.1	Allowance for doubtful accounts						( 507)	( 11,231)
129	Accrued interest receivable						747	118,296
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>						3,467	341,078
131	Investments - unrestricted						152,730	2,036,856
132	Investments - restricted (Tenants security - LMHA and Trustee - LCEHC)						710,583	978,313
142	Prepaid expenses and other assets						1,865	68,379
143	Inventories							243,614
143.1	Allowance for obsolete inventory							( 100)
144	Interprogram due from other funds/entities					24,137	34,168	338,294
150	<b>TOTAL CURRENT ASSETS</b>					24,137	3,606,009	11,452,039
161	Land						324,016	4,960,074
162	Buildings						5,500,036	55,192,628
163	Furniture and equipment - dwelling						21,838	777,253
164	Furniture and equipment - administration	95,452					8,790	571,584
166	Accumulated depreciation	( 14,407)					( 3,094,960)	( 28,236,097)
167	Construction in progress						443,002	658,433
160	<b>TOTAL FIXED ASSETS, NET</b>	81,045					3,202,722	33,923,875
180	<b>TOTAL NON-CURRENT ASSETS</b>	81,045					3,202,722	33,923,875
190	<b>TOTAL ASSETS</b>	<u>\$ 81,045</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 24,137</u>	<u>\$6,808,731</u>	<u>\$45,375,914</u>

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Combining Balance Sheet

### FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds

Year Ended June 30, 2001

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	New Approach Anti Drug
<b>LIABILITIES</b>							
312	Accounts payable	\$ 18,619	\$ 141,010		\$ 16,367		
321	Accrued wages/payroll taxes		77,429		24,878		
322	Accrued compensated absences		159,977	\$ 26,047	60,275		
331	Accounts payable - PHA HUD Programs				252,029		
333	Accounts payable - other grants (PILOT and other)		63,255				
341	Tenant security deposits	3,039	127,449				
342	Deferred revenue - prepaid HUD annual contribution				1,136,226		
343	Current portion of long-term debt						
346	Accrued liabilities - other						
347	Interprogram due to other funds/entities	134,346	1,613	76,991	109,878		\$ 27
310	<b>TOTAL CURRENT LIABILITIES</b>	<u>156,004</u>	<u>570,733</u>	<u>103,038</u>	<u>1,599,653</u>	<u>\$ -0-</u>	<u>27</u>
351	Long-term debt - net of current portion						
353	Non-current liabilities - FSS escrow and other		264,471		49,124	105,994	
350	<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>264,471</u>		<u>49,124</u>	<u>105,994</u>	
300	<b>TOTAL LIABILITIES</b>	156,004	835,204	103,038	1,648,777	105,994	27
504	Net PHA HUD contributions		27,782,908	1,800,263			
507	Other contributions	20,500					
	<b>TOTAL CONTRIBUTED CAPITAL</b>	<u>20,500</u>	<u>27,782,908</u>	<u>1,800,263</u>			
512	Retained earnings	451,797	2,398,595		1,421,850	1,737,044	
513	<b>TOTAL EQUITY</b>	<u>472,297</u>	<u>30,181,503</u>	<u>1,800,263</u>	<u>1,421,850</u>	<u>1,737,044</u>	
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 628,301</u>	<u>\$31,016,707</u>	<u>\$1,903,301</u>	<u>\$3,070,627</u>	<u>\$1,843,038</u>	<u>\$ 27</u>

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Combining Balance Sheet

### FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds

Year Ended June 30, 2001

FDS Line Item No.	Account Description	Capital Fund	14.854 Drug Elimination	14.864 EDSS	14.228 Shelter Plus Care Grant	14.182 Section 8 New Construction Concord Manor	Component Unit 14.855 Section 8 New Cons Program	Total Memorandum Only
<b>LIABILITIES</b>								
312	Accounts payable						\$ 119,097	\$ 295,093
321	Accrued wages/payroll taxes						7,079	109,386
322	Accrued compensated absences		\$ 1,837				12,917	261,053
331	Accounts payable - PHA HUD Programs					\$ 8,799		260,828
333	Accounts payable - other grants (PILOT and other)						22,159	85,414
341	Tenant security deposits						35,638	166,126
342	Deferred revenue - prepaid HUD annual contribution							1,136,226
343	Current portion of long-term debt						140,000	140,000
346	Accrued liabilities - other						145,000	145,000
347	Interprogram due to other funds/entities				\$ 102	15,337		338,294
310	<b>TOTAL CURRENT LIABILITIES</b>	\$ -0-	1,837	\$ -0-	102	24,136	481,890	2,937,420
351	Long-term debt - net of current portion						4,895,000	4,895,000
353	Non-current liabilities - FSS escrow and other							419,589
350	<b>TOTAL NON-CURRENT LIABILITIES</b>						4,895,000	5,314,589
300	<b>TOTAL LIABILITIES</b>		1,837		102	24,136	5,376,890	8,252,009
504	Net PHA HUD contributions	81,045						29,664,216
507	Other contributions						1	20,501
	<b>TOTAL CONTRIBUTED CAPITAL</b>	81,045					1	29,684,717
512	Retained earnings		( 1,837)		( 102)		1,431,841	7,439,188
513	<b>TOTAL EQUITY</b>	81,045	( 1,837)		( 102)	1	1,431,841	37,123,905
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 81,045</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 24,137</b>	<b>\$6,808,731</b>	<b>\$45,375,914</b>

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Combining Statement of Revenues, Expenses and Changes in Retained Earnings FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2001

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	New Approach Anti Drug
Revenue							
703	Net tenant rental revenue	\$ 42,504	\$1,882,954				
704	Tenant revenue - other	239	178,900				
705	Total tenant revenue	<u>42,743</u>	<u>2,061,854</u>	\$ -0-	\$ -0-	\$ -0-	\$ -0-
706	PHA HUD Grants		2,953,146	481,796	12,366,679	149,545	
711	Investment income - unrestricted	11,800	170,000		63,000	94,623	27
714	Fraud recovery					40,250	
715	Other revenue	28,086	30,873		19,868		
716	Gain/loss on sale of fixed assets		( 57,084)	( 228,141)	( 199)		
720	Investment income - restricted	62	34		29		
	Total revenue	<u>82,691</u>	<u>5,158,823</u>	<u>253,655</u>	<u>12,449,377</u>	<u>284,418</u>	<u>27</u>
Expenses							
911	Administrative salaries		872,048	133,869	584,867	8,905	
912	Auditing fees		13,017		7,793	29	
913	Outside management fees						
914	Compensated absences		13,568		7,475	114	
915	Employee benefit contributions - administrative		239,338	47,563	203,762	3,103	
916	Other operating - administrative						27
921	Tenant services - salaries		18,615	14,731	29,194	445	
923	Employee benefit contributions - tenant		5,771	7,561	16,900	258	
924	Tenant services - other		14,206				
931	Water	493	166,478		111	2	
932	Electricity	3,825	319,781		6,834	104	
933	Gas	6,258	300,527		2,945	45	
938	Other utility	753	320,426		112		
941	Ordinary maintenance and operation - labor	3,216	792,167				
942	Ordinary maintenance and operation - materials	1,873	303,699		4,407	67	
943	Ordinary maintenance and operation - cont. cost	2,576	696,027		76,302	1,162	
945	Employee benefit contribution - ord. maintenance		246,856				
951	Protective services labor						
952	Protective services - other cont. costs			244,560			
955	Employee benefit contributions protective services						
961	Insurance premiums	874	107,203		8,818	134	
962	Other general expenses	15,367	243,006		90,099	1,248	
963	PILOT	202	55,784				
964	Bad debts - tenant rents	1,110	100,903				
967	Interest expense - HUD and others						
968	Severance expense		63				
969	Total operating expenses	<u>36,547</u>	<u>4,829,483</u>	<u>448,284</u>	<u>1,039,619</u>	<u>15,616</u>	<u>27</u>
970	Excess operating revenue over expenses	\$ 46,144	\$ 329,340	(\$ 194,629)	\$11,409,758	\$ 268,802	\$ -0-

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Combining Statement of Revenues, Expenses and Changes in Retained Earnings FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2001

FDS Line Item No.	Account Description	Capital Fund	14.854 Drug Elimination	14.864 EDSS	14.228 Shelter Plus Care Grant	14.182 Section 8 New Construction Concord Manor	Component Unit 14.855 Section 8 New Cons Program	Total Memorandum Only
Revenue								
703	Net tenant rental revenue						\$ 456,608	\$ 2,382,066
704	Tenant revenue - other						9,566	188,705
705	Total tenant revenue	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	466,174	2,570,771
706	PHA HUD Grants	97,842	245,904	50,543	222,133	199,213	763,448	17,530,249
711	Investment income - unrestricted						42,948	382,398
714	Fraud recovery							40,250
715	Other revenue							78,827
716	Gain/loss on sale of fixed assets						( 42,378)	( 327,802)
720	Investment income - restricted						176,250	176,375
	Total revenue	97,842	245,904	50,543	222,133	199,213	1,406,442	20,451,068
Expenses								
911	Administrative salaries	68,796					123,255	1,791,740
912	Auditing fees					50	6,973	27,862
913	Outside management fees				5,607	16,018	18,704	40,329
914	Compensated absences						2,876	24,033
915	Employee benefit contributions - administrative	15,603					28,368	537,737
916	Other operating - administrative							27
921	Tenant services - salaries	9,633						72,618
923	Employee benefit contributions - tenant	3,146						33,636
924	Tenant services - other		191,175	50,543			75	255,999
931	Water						12,424	179,508
932	Electricity						170,681	501,225
933	Gas						1,158	310,933
938	Other utility						33,046	354,337
941	Ordinary maintenance and operation - labor						54,818	850,201
942	Ordinary maintenance and operation - materials						104,887	414,933
943	Ordinary maintenance and operation - cont. cost						117,792	893,859
945	Employee benefit contribution - ord. maintenance						28,366	275,222
951	Protective services labor		41,527					41,527
952	Protective services - other cont. costs							244,560
955	Employee benefit contributions protective services		11,488					11,488
961	Insurance premiums						24,868	141,897
962	Other general expenses						25,455	375,175
963	PILOT						22,159	78,145
964	Bad debts - tenant rents						6,800	108,813
967	Interest expense - HUD and others						317,565	317,565
968	Severance expense							63
969	Total operating expenses	97,178	244,190	50,543	5,607	16,068	1,100,270	7,883,432
970	Excess operating revenue over expenses	\$ 664	\$ 1,714	\$ -0-	\$216,526	\$183,145	\$ 306,172	\$12,567,636

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Combining Statement of Revenues, Expenses and Changes in Retained Earnings FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2001

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	New Approach Anti Drug
	Other expenses						
971	Extraordinary maintenance		\$ 369,510	\$ 25,832			
973	Housing assistance payments				\$11,049,903	\$ 132,063	
974	Depreciation expense	\$ 4,735	2,024,066	55,548	39,657		
900	Total expenses	41,282	7,223,059	529,664	12,129,179	147,679	\$ 27
1010	Total other funding sources(uses)						
1000	Excess of revenue over expenses	41,409	( 2,064,236)	( 276,009)	320,198	136,739	
1101	Capital outlays - Enterprise fund			1,196,622			
1103	Beginning equity as adjusted	430,888	33,945,595	2,878,533	1,101,652	1,600,305	
1104	Prior period audit adjustment and equity transfers		( 1,699,856)	( 1,998,883)			
	<b>ENDING EQUITY - JUNE 30, 2001</b>	<b>\$ 472,297</b>	<b>\$30,181,503</b>	<b>\$1,800,263</b>	<b>\$ 1,421,850</b>	<b>\$1,737,044</b>	<b>\$ -0-</b>

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Combining Statement of Revenues, Expenses and Changes in Retained Earnings FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2001

FDS Line Item No.	Account Description	Capital Fund	14.854 Drug Elimination	14.864 EDSS	14.228 Shelter Plus Care Grant	14.182 Section 8 New Construction Concord Manor	Component Unit 14.855 Section 8 New Cons Program	Total Memorandum Only
	Other expenses							
971	Extraordinary maintenance	\$ 664						\$ 396,006
973	Housing assistance payments				\$216,274	\$183,144		11,581,384
974	Depreciation expense	<u>14,407</u>					<u>\$ 138,736</u>	<u>2,277,149</u>
900	Total expenses	112,249	\$244,190	\$ 50,543	221,881	199,212	1,239,006	22,137,971
1010	Total other funding sources							
1000	Excess of revenue over expenses	( 14,407)	1,714		252	1	167,436	( 1,686,903)
1101	Capital outlays - Enterprise fund	95,452						1,292,074
1103	Beginning equity as adjusted		( 3,551)		( 354)	14,781	1,413,711	41,381,560
1104	Prior period audit adjustment and equity transfers					( 14,781)	( 149,306)	( 3,862,826)
	<b>ENDING EQUITY - JUNE 30, 2001</b>	<u>\$ 81,045</u>	<u>(\$ 1,837)</u>	<u>\$ -0-</u>	<u>(\$ 102)</u>	<u>\$ 1</u>	<u>\$1,431,841</u>	<u>\$37,123,905</u>

# LORAIN METROPOLITAN HOUSING AUTHORITY

## Additional Information Required by HUD FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2001

FDS Line Item No.	Account Description	14.859 Comp Grant	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 14.182 Section 8 New Cons Prgm	Capital Fund	Total
1112	Depreciation add back	\$55,548	\$ 4,735	\$2,024,066	\$ 39,657				\$ 138,736	\$14,407	\$ 2,277,149
1113	Maximum annual contribution (per ACC)				12,812,553	\$148,855	\$ 296,100				13,257,508
1114	Prorate maximum annual contributions applicable to a period of less than twelve months										
1115	Contingency reserve, ACC program reserve				3,363,037	1,958,082	179,603				5,500,722
1116	Total annual contributions available				16,175,590	2,106,937	475,703				18,758,230
1120	Unit months available		72	17,388	29,868	408	720	600	2,400		51,456
1121	Number of unit months leased		72	16,921	28,386	408	720	600	2,341		49,448

# LORAIN METROPOLITAN HOUSING AUTHORITY

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## Schedule of Completed Grants/Certificates Year Ended June 30, 2001

<u>Description</u>	Note A OH12-PO12- <u>70798</u>	Note B OH12DEP- 01201098 (Drug Grant)	Note C OH12EAS012097 <u>EDSS</u>
Funds approved - latest budget	\$2,697,590	\$379,080	\$200,000
Funds advanced	2,697,590	379,080	200,000
Funds expended	<u>2,697,590</u>	<u>379,080</u>	<u>200,000</u>
Difference between funds advanced and funds expended	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Note A: This Actual Modernization Cost Certificate was completed by the Lorain Metropolitan Housing Authority during fiscal year 2001 and the final report submitted to HUD on January 22, 2001.

Note B: This drug elimination grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2001 and the final report submitted to HUD on January 26, 2001.

Note C: This Public Housing Economic Development and Supportive Services Grant was completed by Lorain Metropolitan Housing Authority during fiscal year 2001 and the final report submitted to HUD on April 11, 2001.

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

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## Schedule of Units Under LMHA Management Year Ended June 30, 2001

Lorain Metropolitan Housing Authority (LMHA) had 4,038 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	1,449	1,410
Section 8 certificates	34	34
Section 8 vouchers	2,489	2,366
Sheltered plus care	60	60
General fund - not HUD funded	<u>6</u>	<u>6</u>
Total	4,038	3,876
Lorain County Elderly Housing Corporation		
Section 8 new construction	<u>200</u>	<u>195</u>
Total LMHA and LCEHC	<u>4,238</u>	<u>4,071</u>

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

November 8, 2001

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, 2001 for the year then ended and have issued our report thereon dated November 8, 2001. 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 November 8, 2001.

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

This report is intended for the information of the boards of LMHA and LCEHC, 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**

November 8, 2001

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, 2001. 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 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 the 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 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, 2001.

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

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 boards of LMHA and LCEHC, 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

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## Schedule of Findings and Questioned Costs Year Ended June 30, 2001

### 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
14.857	Section 8 Existing Program
14.855	Section 8 Voucher Program
14.852	Comprehensive Grant

Dollar threshold used to distinguish between  
type A and type B programs:

\$ 537,216

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  No

### Section II--Financial Statement Findings

None

### Section III--Federal Award Findings and Questioned Costs

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**LORAIN METROPOLITAN HOUSING AUTHORITY**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 14, 2002**