

Lake Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Directors
Lake Metropolitan Housing Authority
189 First Street
Painesville, Ohio 44077

We have reviewed the *Independent Auditors' Report* of the Lake Metropolitan Housing Authority, Lake County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lake Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 15, 2008

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LAKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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Independent Auditors' Report

Board of Directors
Lake Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2007, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lake Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 11 to the financial statements, management has not performed a physical inventory of property and equipment. In addition certain purchases and deletion have not been properly recorded as capital assets on the financial statements and accordingly, depreciation expense not recorded for those assets. The Authority does not maintain an adequate detailed capital asset listing to ascertain that the capital assets listed on the financial statements are fairly stated. Accounting principles generally accepted in the United State of America requires that accounting records be maintain to properly support the amounts listed on the financial statements. The amount by which this departure would affect the assets, net assets and expenses of the business-type activities is not reasonably determinable.

In my opinion, except for the effect of not providing an adequate depreciation schedule for the business-type activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lake Metropolitan Housing Authority, Ohio, as of June 30, 2007, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2008, on my consideration of the Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Lake Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards 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. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.

January 10, 2008

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement (beginning on page 11).

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$367,421 (or 4.25 %) during 2007. Net Assets were \$8,285,649 and \$8,653,070 for 2007 and 2006 respectively.
- Revenues decreased by \$171,410 (or 1.54%) during 2007, and were \$10,966,733 and \$11,138,143 for 2007 and 2006 respectively.
- The total expenses of all Authority programs increased by \$847,049 (or 8.08%). Total expenses were \$11,334,154 and \$10,487,105 for 2007 and 2006 respectively.

USING THIS ANNUAL REPORT

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

MD&A ~Management's Discussion and Analysis~
Basic Financial Statement ~Authority Financial Statements ~ ~Notes to Financial Statements ~
Other Required Supplementary Information ~Required Supplementary Information ~ (other than the MD&A)

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

Authority Financial Statements

The Authority financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

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

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

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

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

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

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

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

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

Fund Financial Statements

The Authority consists of an exclusively Enterprise Fund. Enterprise fund utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

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

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

Section 8 New Construction Program - Lake MHA administers a Housing Assistance Payments contract (Andrews Place) on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

State and Local Program – Under its Local program, Lake MHA manages investments of locally controlled funding accumulated in past years until decisions are reached regarding how to use the funds to further the purposes of Lake MHA.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

AUTHORITY STATEMENTS

Statement of Net Assets

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

Table 1 - Condensed Statement of Net Assets Compared to Prior Year

	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 4,384,565	\$ 4,501,947
Capital Assets	<u>4,826,454</u>	<u>5,238,613</u>
Total Assets	<u>\$ 9,211,019</u>	<u>\$ 9,740,560</u>
Current Liabilities	\$ 743,225	\$ 860,999
Long-Term Liabilities	<u>182,145</u>	<u>226,491</u>
Total Liabilities	<u>925,370</u>	<u>1,087,490</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	4,826,454	5,238,613
Unrestricted Net Assets	<u>3,459,195</u>	<u>3,414,457</u>
Total Net Assets	<u>8,285,649</u>	<u>8,653,070</u>
Total Liabilities and Net Assets	<u>\$ 9,211,019</u>	<u>\$ 9,740,560</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

Major Factors Affecting the Statement of Net Assets

The decrease in Lake MHA's current assets is insignificant, about 2.61% from the prior year-end. That change is primarily due to funding received by Lake MHA in the current year to make Housing Assistance Payments (HAP) to landlords renting dwelling units to

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

Lake MHA clients assisted through the Section 8 Housing Choice Voucher program that was not spent because Lake MHA did not provide rental assistance to as many families under the program as they could have. In past years the corresponding change would have been reflected on the liability and net assets side of the statement as a liability, because HUD did not consider such advances of funding to have been earned by the Housing Authority until it was spent by the Authority as intended by HUD. In more recent years, however, accounting pronouncements and HUD dictate such funds are to be treated as earned by the Housing Authority when the funding is provided, so the change shows up in this table as an increase in unrestricted net assets. In a sense, it makes it seem the current year operations were more favorable than they truly were, so the correction will not be reflected in the financial statements until, in subsequent periods when, Lake MHA spends the money to pay HAPs to landlords as intended by HUD.

The change in Capital Assets in the current period was about 8%, a reflection that depreciation on assets held by Lake MHA exceeded additions to capital assets in the current period.

The overall change in liabilities was about 15%, although there were fairly significant offsetting changes in the parts considered to be current and non-current.

Table 2 - Statement of Revenue, Expenses & Changes in Net Assets

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Tenant Revenues	\$ 407,168	\$ 399,785
Operating Subsidies & Grants	10,268,429	10,454,865
Capital Grants	62,632	159,438
Investment Income	207,393	94,818
Other Revenues	21,111	29,237
	<hr/>	<hr/>
Total Revenues	\$ 10,966,733	\$ 11,138,143

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

Table 2 - Statement of Revenue, Expenses & Changes in Net Assets

<u>Expenses</u>	<u>2007</u>	<u>2006</u>
Administrative	\$ 1,179,626	\$ 947,115
Tenant Services	4,670	9,005
Utilities	207,515	233,467
Maintenance	504,976	410,730
Protective Services	20,008	45,590
General Expenses	81,159	66,070
Housing Assistance Payments	8,861,408	8,289,654
Depreciation	474,792	464,952
Loss on Sale of Assets	-	20,522
	<hr/>	<hr/>
Total Expenses	<u>11,334,154</u>	<u>10,487,105</u>
Net Increases (Decreases)	\$ <u>(367,421)</u>	\$ <u>651,038</u>

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

Revenues decreased by about 1% and expenses increased by about 8% as compared to the prior year-end. Significantly impacting these changes is the accounting treatment of the amount advanced by HUD for payments to landlords for clients housing assistance payments (HAP) through the Housing Choice Voucher program. Funding advance by HUD for HAP was not spent by Lake MHA in the period as intended by HUD. Therefore, expenses in the current period are higher.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$4,826,454 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$412,159 from the end of last year.

Table 3 - Condensed Statement of Changes in Capital Assets

	<u>2007</u>	<u>2006</u>
Land and Land Rights	\$ 692,731	\$ 692,731
Building & Improvements	10,407,696	10,407,696
Equipment - Administrative	1,335,619	1,335,619
Equipment - Dwelling	259,914	259,914
Construction in Progress	1,010,225	947,594
Accumulated Depreciation	<u>(8,879,731)</u>	<u>(8,404,941)</u>
Total	<u>\$ 4,826,454</u>	<u>\$ 5,238,613</u>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 24 of the notes.

Table 4 - Condensed Statement of Changes in Capital Assets

Beginning Balance, July 1, 2006	\$ 5,238,613
Current Year Additions	62,632
Depreciation Expenses for the Year	(474,792)
Rounding Adjustment	<u>1</u>
Ending Balance, June 30, 2007	<u>\$ 4,826,454</u>

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

UNAUDITED

The increase in accumulated depreciation from year-end 2006 to 2007 (\$474,792) outpaced the increase in construction in progress leading to a net reduction in Capital Assets of \$326,000. The net increase in Construction in Progress of \$62,632 was made through spending in the Capital Fund Program.

ECONOMIC FACTORS

Lake MHA is dependent on HUD subsidies to administer their programs and maintain their properties. Continuing drastic Federal budget cuts are a significant threat to the ongoing ability of the agency to operate their programs and maintain their facilities. Truly Lake MHA's situation may not be as drastic as other similar agencies thanks in part to cash assets accumulated in previous periods, but the threat of ongoing cuts is a real one to the agency especially as the agency's buildings age and require more physical maintenance and improvements.

FINANCIAL CONTACT

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Lake Metropolitan Housing Authority, 189 First Street, Painesville, Ohio, 44077. The Lake Metropolitan Housing Authority telephone number is (440) 354-3347.

LAKE METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
June 30, 2007

ASSETS

Current assets

Cash and cash equivalents	\$2,748,795
Restricted cash and cash equivalents	\$444,637
Investments	1,011,829
Receivables, net	162,286
Prepaid expenses and other assets	17,018
Total current assets	<u>4,384,565</u>

Noncurrent assets

Capital assets:	
Land	692,731
Building and equipment	12,003,229
Construction in Progress	1,010,225
Less accumulated depreciation	(8,879,731)
Total noncurrent assets	<u>4,826,454</u>
Total assets	<u><u>\$9,211,019</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$49,085
Accrued liabilities	51,954
Intergovernmental payables	545,790
Tenant security deposits	34,553
Deferred revenue	61,843
Total current liabilities	<u>743,225</u>

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

LAKE METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
June 30, 2007

Noncurrent liabilities

Accrued compensated absences non-current	48,192
Noncurrent liabilities - other	<u>133,953</u>
<i>Total noncurrent liabilities</i>	<i>182,145</i>
Total liabilities	<u><u>\$925,370</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$4,826,454
Unrestricted net assets	<u>3,459,195</u>
Total net assets	<u><u>\$8,285,649</u></u>

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

LAKE METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

OPERATING REVENUES

Tenant Revenue	\$407,168
Government operating grants	10,268,429
Other revenue	21,111
Total operating revenues	<u>10,696,708</u>

OPERATING EXPENSES

Administrative	1,179,626
Tenant services	4,670
Utilities	207,515
Maintenance	504,976
Protective services	20,008
General	81,159
Housing assistance payment	8,861,408
Depreciation	474,792
Total operating expenses	<u>11,334,154</u>
Operating income (loss)	<u>(637,446)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	207,393
Total nonoperating revenues (expenses)	<u>207,393</u>
Income (loss) before contributions and transfers	(430,053)
Capital grants	62,632
Change in net assets	(367,421)
Total net assets - beginning	8,653,070
Total net assets - ending	<u><u>\$8,285,649</u></u>

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

LAKE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$10,250,331
Tenant revenue received	408,865
Other revenue received	18,233
General and administrative expenses paid	(2,136,142)
Housing assistance payments	(8,861,408)

Net cash provided (used) by operating activities	(320,121)
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	207,393
Transfer from investment account	3,380

Net cash provided (used) by investing activities	210,773
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CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	62,632
Property and equipment purchased	(62,632)

Net cash provided (used) by capital and related activities	0
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Net increase (decrease) in cash	(109,348)
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Cash and cash equivalents - Beginning of year	3,302,780
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Cash and cash equivalents - End of year	\$3,193,432
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The accompanying notes to the basic financial statements are an integral part of these statements.

LAKE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2007

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$637,446)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	474,792
- (Increases) Decreases in Accounts Receivable	(12,618)
- (Increases) Decreases in Prepaid Assets	17,272
- Increases (Decreases) in Accounts Payable	(115,454)
- Increases (Decreases) in Accrued Expenses Payable	21,866
- Increases (Decreases) in Deferred Revenue	(66,540)
- Increases (Decreases) in Tenant Security Deposits	<u>(1,993)</u>
Net cash provided by operating activities	<u><u>(\$320,121)</u></u>

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

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Lake Metropolitan Housing Authority (the Authority) 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 the Authority's accounting policies are described below.

Reporting Entity

The Lake Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, statement of revenue, expenses and changes net assets, and a statement of cash flows.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for its programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 1: 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 purposes.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

The following are the various programs which are included in the single enterprise fund:

A. Public Housing Program

The public housing program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development of housing.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. Public Housing Development Program

The Authority administers grant funds received from HUD for future development of housing. The grant funds received in prior years were used to purchase vacant lots. The current activity in this fund represents the upkeep cost of the lots.

E. Section 8 New Construction Program

Lake MHA administers a Housing Assistance Payments contract on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

F. State and Local

The State and Local fund is setup to separate Lake MHA management funds earned in prior years from the HUD funded programs. The only activities, during the fiscal year, in this fund are interest earned on this money.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2007 totaled \$207,393.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings & improvements	15-40 years
Furniture, fixtures & equipment	3-10 years
Vehicles	5 years

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of services are included in the calculation of the compensated absence accrual amount.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation is attributable to services already rendered and is not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

Budgetary Accounting

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

NOTE 2: CASH AND INVESTMENTS

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Inactive deposits are public deposits identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit, maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by Authority or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end June 30, 2007, the carrying amount of the Authority's deposits totaled \$3,193,432 and its bank balance was \$3,330,264. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$3,230,264 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies,

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations 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). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 5 years.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

A reconciliation of cash and investments as shown on the statement of net assets follows:

Investments – U.S. Treasury / Agency Securities	\$1,011,829
Total	\$1,011,829

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2007 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 3: RISK MANAGEMENT (Continued)

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	Balance 06/30/06	Adjust / Additions	Adjust / Deletion	Balance 06/30/07
Capital Assets Not Depreciated:				
Land	\$692,731	\$0	\$0	\$692,731
Construction in Progress	950,472	\$62,631	(2,878)	1,010,225
Total Capital Assets Not Being Depreciated	1,643,203	\$62,631	(2,878)	1,640,325
Capital Assets Being Depreciated:				
Buildings and Building Improv.	10,404,818	0	2,878	10,407,696
Furnt, Mach. & Equip - Admin	1,595,533	0	0	1,595,533
Total Capital Assets Being Depreciated	12,000,351	0	2,878	12,003,229
Total Accumulated Depreciated	(8,404,941)	(474,790)	0	(8,879,731)
Total Capital Assets Being Depreciated, Net	3,595,410	(474,790)	0	3,123,498
Total Capital Assets, Net	\$5,238,613	(\$412,159)	\$0	\$4,826,454

NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 9.0 percent of their annual covered salary to fund pension obligations. The 2006 employer pension contribution rate for Authority was 13.70 percent. Effective January 1, 2007 the rates increased to 9.5 percent for members and 13.85 percent for employers. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2007, 2006, and 2005 amounted to \$107,812, \$96,215, and \$94,132. These costs have been charged to the employee fringe benefit account. Eighty-eight percent has been contributed for 2007. All required contributions for the two previous years have been paid.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 6: POST-EMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2007 was 5.0 percent of covered payroll, which amounted to \$39,128. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2006. 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 2006 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 374,979. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 6: POST-EMPLOYMENT BENEFITS (Continued)

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006 and in 2007 and January 1, 2008, which allow additional funds to be allocated to the health care plan.

NOTE 7: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 8: RESTRICTED CASH

The Authority administers grant funds received from HUD for future development of housing. The grant funds received in prior years were used to purchase vacant lots. Due to the uncertainties of the funding from HUD, the Authority has determined that it will not be developing any new housing in the near future. Therefore, in effort to reduce the upkeep cost, the Authority started to re-sale the vacant lots purchased. The proceeds from the sale of \$444,637 are recorded as restricted cash.

NOTE 9: TENANT ACCOUNT RECEIVABLES

As of June 30, 2007, tenant account receivable is shown net of an allowance for doubtful accounts of \$20,000.

NOTE 10: ECONOMIC DEPENDENCY

The Section 8 New Construction, the Low Rent Public Housing Program and the Housing Choice Voucher Program are economically dependent on annual contributions and grants from HUD. These programs operate at a loss prior to receiving the contributions and grants.

LAKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

NOTE 10: CONTINGENCIES

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2007 the PHA was involved in such matter. While the outcome of this matter cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

NOTE 11: CAPITAL ASSETS

A physical inventory of the Authority property and equipment owned has not been performed. In addition certain purchases, deletion, and depreciation expense for those assets have not been properly recorded on the financial statements. The depreciation schedule is not in sufficient detail to properly ascertain assets if assets are still owned or if they have been disposed off.

Accounting principles generally accepted in the United State of America requires that accounting records be maintain to properly support the amounts listed on the financial statements.

Lake Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$323,230	\$77,794	\$0	\$2,059,022	\$0	\$154,796	\$2,614,842
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$444,637	\$0	\$0	\$0	\$444,637
113	Cash - Other Restricted	\$0	\$0	\$0	\$133,953	\$0	\$0	\$133,953
100	Total Cash	\$323,230	\$77,794	\$444,637	\$2,192,975	\$0	\$154,796	\$3,193,432
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$4,423	\$0	\$147,848	\$0	\$152,271
125	Accounts Receivable - Miscellaneous	\$0	\$4,911	\$0	\$0	\$0	\$0	\$4,911
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$23,289	\$0	\$0	\$0	\$0	\$23,289
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$20,000)	\$0	\$0	\$0	\$0	(\$20,000)
128	Fraud Recovery	\$0	\$1,815	\$0	\$0	\$0	\$0	\$1,815
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$10,015	\$4,423	\$0	\$147,848	\$0	\$162,286
131	Investments - Unrestricted	\$0	\$168,862	\$0	\$758,665	\$0	\$84,302	\$1,011,829
142	Prepaid Expenses and Other Assets	\$0	\$17,018	\$0	\$0	\$0	\$0	\$17,018
144	Interprogram Due From	\$42,190	\$157,597	\$0	\$39,193	\$0	\$0	\$238,980
150	Total Current Assets	\$365,420	\$431,286	\$449,060	\$2,990,833	\$147,848	\$239,098	\$4,623,545
161	Land	\$0	\$692,731	\$0	\$0	\$0	\$0	\$692,731
162	Buildings	\$0	\$10,078,202	\$0	\$21,652	\$307,842	\$0	\$10,407,696
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$259,914	\$0	\$0	\$0	\$0	\$259,914
164	Furniture, Equipment & Machinery - Administration	\$51,044	\$1,090,706	\$0	\$170,165	\$23,704	\$0	\$1,335,619
166	Accumulated Depreciation	(\$51,044)	(\$8,580,934)	\$0	(\$171,745)	(\$76,008)	\$0	(\$8,879,731)
167	Construction In Progress	\$0	\$0	\$157,716	\$0	\$852,509	\$0	\$1,010,225
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$3,540,619	\$157,716	\$20,072	\$1,108,047	\$0	\$4,826,454

Lake Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
180	Total Non-Current Assets	\$0	\$3,540,619	\$157,716	\$20,072	\$1,108,047	\$0	\$4,826,454
190	Total Assets	\$365,420	\$3,971,905	\$606,776	\$3,010,905	\$1,255,895	\$239,098	\$9,449,999
312	Accounts Payable <= 90 Days	\$0	\$33,451	\$0	\$15,634	\$0	\$0	\$49,085
321	Accrued Wage/Payroll Taxes Payable	\$0	\$51,954	\$0	\$0	\$0	\$0	\$51,954
331	Accounts Payable - HUD PHA Programs	\$39,601	\$0	\$444,655	\$0	\$0	\$0	\$484,256
333	Accounts Payable - Other Government	\$0	\$61,534	\$0	\$0	\$0	\$0	\$61,534
341	Tenant Security Deposits	\$0	\$34,553	\$0	\$0	\$0	\$0	\$34,553
342	Deferred Revenues	\$0	\$61,843	\$0	\$0	\$0	\$0	\$61,843
347	Interprogram Due To	\$5,344	\$39,193	\$4,405	\$42,190	\$147,848	\$0	\$238,980
310	Total Current Liabilities	\$44,945	\$282,528	\$449,060	\$57,824	\$147,848	\$0	\$982,205
354	Accrued Compensated Absences - Non Current	\$0	\$25,950	\$0	\$22,242	\$0	\$0	\$48,192
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$133,953	\$0	\$0	\$133,953
350	Total Noncurrent Liabilities	\$0	\$25,950	\$0	\$156,195	\$0	\$0	\$182,145
300	Total Liabilities	\$44,945	\$308,478	\$449,060	\$214,019	\$147,848	\$0	\$1,164,350
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$3,540,619	\$157,716	\$20,072	\$1,108,047	\$0	\$4,826,454
512.1	Unrestricted Net Assets	\$320,475	\$122,808	\$0	\$2,776,814	\$0	\$239,098	\$3,459,195
513	Total Equity/Net Assets	\$320,475	\$3,663,427	\$157,716	\$2,796,886	\$1,108,047	\$239,098	\$8,285,649
600	Total Liabilities and Equity/Net Assets	\$365,420	\$3,971,905	\$606,776	\$3,010,905	\$1,255,895	\$239,098	\$9,449,999

Lake Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$407,168	\$0	\$0	\$0	\$0	\$407,168
705	Total Tenant Revenue	\$0	\$407,168	\$0	\$0	\$0	\$0	\$407,168
706	HUD PHA Operating Grants	\$478,689	\$482,718	\$0	\$9,287,992	\$19,030	\$0	\$10,268,429
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$62,632	\$0	\$62,632
711	Investment Income - Unrestricted	\$10,670	\$9,879	\$0	\$178,050	\$0	\$8,794	\$207,393
714	Fraud Recovery	\$0	\$0	\$0	\$2,878	\$0	\$0	\$2,878
715	Other Revenue	\$0	\$17,760	\$0	\$473	\$0	\$0	\$18,233
700	Total Revenue	\$489,359	\$917,525	\$0	\$9,469,393	\$81,662	\$8,794	\$10,966,733
911	Administrative Salaries	\$5,400	\$155,473	\$0	\$427,043	\$0	\$0	\$587,916
912	Auditing Fees	\$1,000	\$10,485	\$0	\$10,486	\$0	\$0	\$21,971
914	Compensated Absences	(\$46)	\$12,962	\$0	\$10,863	\$0	\$0	\$23,779
915	Employee Benefit Contributions - Administrative	\$1,648	\$52,912	\$0	\$178,981	\$0	\$0	\$233,541
916	Other Operating - Administrative	\$4,200	\$104,068	\$0	\$185,121	\$19,030	\$0	\$312,419
924	Tenant Services - Other	\$0	\$4,670	\$0	\$0	\$0	\$0	\$4,670
931	Water	\$0	\$33,942	\$0	\$0	\$0	\$0	\$33,942
932	Electricity	\$0	\$132,816	\$0	\$0	\$0	\$0	\$132,816
933	Gas	\$0	\$40,757	\$0	\$0	\$0	\$0	\$40,757
941	Ordinary Maintenance and Operations - Labor	\$0	\$190,167	\$0	\$0	\$0	\$0	\$190,167
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$95,885	\$0	\$8,953	\$0	\$0	\$104,838
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$139,692	\$0	\$5,560	\$0	\$0	\$145,252
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$64,719	\$0	\$0	\$0	\$0	\$64,719

Lake Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
952	Protective Services - Other Contract Costs	\$0	\$18,360	\$0	\$1,648	\$0	\$0	\$20,008
961	Insurance Premiums	\$0	\$26,330	\$0	\$7,766	\$0	\$0	\$34,096
962	Other General Expenses	\$0	\$126	\$0	\$2,491	\$0	\$0	\$2,617
963	Payments in Lieu of Taxes	\$0	\$19,965	\$0	\$0	\$0	\$0	\$19,965
964	Bad Debt - Tenant Rents	\$0	\$24,481	\$0	\$0	\$0	\$0	\$24,481
969	Total Operating Expenses	\$12,202	\$1,127,810	\$0	\$838,912	\$19,030	\$0	\$1,997,954
970	Excess Operating Revenue over Operating Expenses	\$477,157	(\$210,285)	\$0	\$8,630,481	\$62,632	\$8,794	\$8,968,779
973	Housing Assistance Payments	\$448,885	\$0	\$0	\$8,412,523	\$0	\$0	\$8,861,408
974	Depreciation Expense	\$0	\$440,414	\$0	\$9,306	\$25,072	\$0	\$474,792
900	Total Expenses	\$461,087	\$1,568,224	\$0	\$9,260,741	\$44,102	\$0	\$11,334,154
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$28,272	(\$650,699)	\$0	\$208,652	\$37,560	\$8,794	(\$367,421)
1103	Beginning Equity	\$292,203	\$4,314,126	\$157,716	\$2,588,234	\$1,070,487	\$230,304	\$8,653,070
	Ending Equity	\$320,475	\$3,663,427	\$157,716	\$2,796,886	\$1,108,047	\$239,098	\$8,285,649
1120	Unit Months Available	936	2,868	0	15,748	0	0	19,552
1121	Number of Unit Months Leased	936	2,672	0	15,748	0	0	19,356
1117	Administrative Fee Equity	\$0	\$0	\$0	\$1,450,165	\$0	\$0	\$1,450,165
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$1,346,721	\$0	\$0	\$1,346,721

Lake Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended June 30, 2007

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
N/C S/R Section 8 Programs	14.182	\$478,689
Low Rent Public Housing	14.850	482,718
Housing Choice Vouchers	14.871	9,287,992
Public Housing Capital Fund Program	14.872	<u>81,662</u>
Total Expenditure of Federal Award		<u>\$10,331,061</u>



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

Board of Directors
Lake Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2007, which collectively comprise the Lake Metropolitan Housing Authority basic financial statements and have issued my report thereon dated June 10, 2008. I qualified my report on the business-type activities because management has not performed a physical inventory of property and equipment. In addition certain purchases and deletion have not been properly recorded as capital assets on the financial statements and accordingly, depreciation expense not recorded for those assets. The Authority does not maintain an adequate detailed capital asset listing to ascertain that the capital assets listed on the financial statements are fairly stated. Accounting principles generally accepted in the United State of America requires that accounting records be maintain to properly support the amounts listed on the financial statements. I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

I consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-LMHA-1 through 2007-LMHA-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, I consider 2007-LMHA-1 to be a material weakness..

Compliance and Other Matters

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

Lake Metropolitan Housing Authority response to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit Lake Metropolitan Housing Authority response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, 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.

Salvatore Consiglio, CPA, Inc.

January 10, 2008



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

Board of Directors
Lake Metropolitan Housing Authority

Compliance

I have audited the compliance of the Lake Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Lake Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result 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 Lake Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Lake Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 the Lake Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Lake Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Lake Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items LMHA-FED-2007-1 and LMHA-FED-2007-2.

Internal Control Over Compliance

The management of Lake Metropolitan Housing Authority, Ohio 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 my audit, I considered Lake Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Lake Metropolitan Housing Authority response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Lake Metropolitan Housing Authority response and, accordingly, I express no opinion on it.

This report is intended for the information of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Salvatore Consiglio, CPA, Inc.
January 10, 2008

Lake Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Qualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	Yes
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.182, 14.850 and 14.871 - Section 8 N/C, Low Rent Public Housing and Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$309,932 Type B: All Others
Low Risk Auditee?	No

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER	2007-LMHA -1
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Material Significant Deficiency - Capital Assets

The Authority does not maintain an adequate detailed capital asset listing for capital assets. Also, depreciation expense was calculated by major class of assets rather than by individual asset or like assets. The failure to maintain an accurate capital asset listing and calculate depreciation by individual or like assets did not enable auditors to obtain sufficient evidential matter regarding the amounts reported for capital assets on the Statement of Net Assets and depreciation expense on the Statements of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds. This could increase the risk that capital assets may be inaccurate for reporting and insurance purposes and increase the possibility of theft or loss without detection.

This condition has been noted in prior audit with a recommendation that the Authority performs a physical inventory of all items it owns and reconciles the inventory to the depreciation schedule. This recommendation has been made year after year without the complying. This finding is also required to be reported for major federal program.

Recommendation:

The Authority should have a formal policy in place to track additions and deletions and to maintain an up-to date capital asset listing for all funds. The capital asset listing should include opening balances, additions and deletions by category and fund, ending balances, current and accumulated depreciation (if applicable), carrying amounts for all assets, location and purchase date. The capital asset system should also assign each asset to a functional category so that the Authority can allocate depreciation expense to proper functions. The capital asset procedures should include documents for the addition and deletion of capital assets with signatures of the responsible officials. The policy should also require depreciation to be calculated by individual items or like assets.

Corrective Action Plan:

LMHA has begun a new count of all capital assets. Our maintenance department is physically counting each asset, and our assistant ED is keeping the files from this. From that file, she has created a spreadsheet for tracking purposes. Once all of this information has been obtained, Finance & PH Mgr will work together to manually enter all of the information into PHA Web, which has the capacity to keep the depreciation schedules. Our anticipated implementation date is March 2008. HUD has agreed to this time schedule, and LMHA will forward the finished project as soon as it is ready. New record keeping will incorporate all of auditor's suggestions. Also, the Authority is presenting a resolution for approval by Board to increase the capitalization amount to \$2,000.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

FINDING NUMBER	2007-LMHA -2
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Significant Deficiency - Labor Distribution

Audit procedures over payroll revealed that the PHA did not have written documentation of an allocation plan to support the labor distribution to the various programs. However, the percentages used to allocation salary expenses to the various programs appear reasonable and in line with other housing authorities.

This finding was noted in prior audits.

Recommendation:

I recommend that the Authority implements a written allocation plan. At a minimum a time study should be compiled to document and support the percentage used for labor distribution.

Corrective Action Plan:

A detailed labor distribution time study will be done in March of 2008. With mgmt turnover, employee turnover, and past issues in the agency, we feel that doing one currently would not accurately portray the time truly spent. By March of 2008 the agency should be running as close to “normal” as possible. HUD has given us to 3/08 to do this.

FINDING NUMBER	2007-LMHA -3
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Significant Deficiency - Expenditures

Audit procedures over 60 check disbursements selected for testing revealed several errors:

- 5 errors were noted were the purchase order was dated after the vendor invoice date.
- 2 invoices were paid late and incurred finance charges.

This revealed that a proper system of internal controls over purchases and expenditures were not in place and this can result in unauthorized expenses.

Recommendation:

The Authority most implement a proper system of controls over purchases. No purchases or expenditure should be allowed with out proper authorization.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

Corrective Action Plan:

With the addition of a permanent Executive Director, new procedures have been put in place to ensure that purchases requiring a PO are done in the proper order. NO purchase is to be made without prior approval, and this has been followed through since the September 07 arrival of new ED.

FINDING NUMBER	2007-LMHA -4
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Significant Deficiency – Receivable from HUD

The Financial Data Schedule shows for the Development Program a receivable from HUD of \$4,423. This receivable has been carried on the books for several years. It appears that this money will not be collected from HUD. Recommendation has been made at prior audits to write this amount as uncollectible. But no action has been taking.

Recommendation:

Since this amount will not be collected from HUD, the receivable should be written off.

Corrective Action Plan:

The receivable will be written off the financial statements. The Finance Director will be responsible to obtain authorization from the Board and to eliminate the amount. This will be completed by June 2008.

FINDING NUMBER	2007-LMHA -5
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Significant Deficiency – Washer and Dryer Fund

Sound financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the audit it was discovered that the PHA is carrying an asset and liability on its financial statements of \$60,717. This amount represents a balance from the washer and dryer fund at one of the projects. During the audit period this fund grows by \$10,793, by the net proceeds from the money collected from the washers and dryers. The current year proceeds and expenses were not reported on the financial statements as revenue and expenses.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

Recommendation:

The revenue generated from the washers and dryers should be properly reported on the financial statements as the Authority's revenue. All money disbursed from this fund should be reported as the Authority's expenses. This will assure that revenue and expenses are properly accounted for and correctly reported in the financial statements. The Authority should be using the Resident Participation expense line to report these expenses incurred in properly running the washer/dryer revenue.

Corrective Action Plan: The Authority will begin to properly record this revenue and expense in FY 08. The Authority will present resolutions to the Board for approval of the accounting change

FINDING NUMBER	2007-LMHA -6
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Significant Deficiency – Restricted Cash

The PHA financial statements properly presented the proceeds from the sale of land that was acquired with HUD Development Grant Funds as restricted cash. The interest earned of \$24,771 during the audit period was not reported in the unaudited financial statements filed with REAC as restricted funds. An audit adjustment was necessary to properly report the interest earned in the Development Program as an asset and a liability due to HUD.

As of June 30, 2007, the PHA is carrying \$444,637 of restricted funds on its financial statements. There has been no plan on how to use this money nor as it been returned to HUD.

Recommendation:

The PHA must return the money to HUD or prepare a plan and submitted to HUD on how it will use. The funds must not be spend without prior approval from HUD. In addition, it must assure that all interest earned on these funds are properly accounted for as restricted funds.

Corrective Action Plan: The Authority is in agreement with the Auditor and will begin to record this interest income as restricted cash in all reporting moving forward.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER	LMHA-FED-2007-1
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Compliance Finding – Eligibility (Supporting Documentation)

U.S. Department of HUD

Low Rent Public Housing (CFDA # 14.850)

Housing Choice Voucher Program (CFDA # 14.871)

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

24 CFR 982.516 requires that the PHA performs an annual reexamination for each participant family at least every 12 months and a determination of adjusted family income

Audit procedures over 40 HCV and 31 PH tenant files revealed the following errors:

- Low Rent Public Housing Program
 - o 13 files did not properly document the flat rent choice.
 - o 1 file did not document declaration of citizenship for the family members.

- Housing Choice Voucher Program
 - o 1 recertification not performed timely.
 - o 3 error in income verification or errors in calculating family income.
 - o 1 error in calculating utility allowance. Provided allowance for a 3 bedroom when the actual resident is a 2 bedroom unit.
 - o 2 errors were incorrect payment standard amount was used.

Recommendation:

The PHA must assure that a proper system is in place to review tenant files and that the files include all required documentation.

Corrective Action Plan:

HCV department has increased review control processes and is working to ensure employees are trained to gather all necessary information, and that monthly audits of files are done. The HCV Manager has already implemented corrective actions.

Lake Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

PH department has started implementing the flat rent choice form in April 2007. The error on the declaration of citizenship was discovered by staff during review of files. However, signature could not have been obtained because tenant had vacated.

FINDING NUMBER	LMHA-FED-2007-2
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Compliance Finding – Cash Management

**U.S. Department of HUD
Public Housing Capital Fund Program (CFDA # 14.872)**

U. S. Department of the Treasury (Treasury) regulations 31 CFR part 205, provides that fund transfers from the treasury shall be limited to the minimum amounts needed and be timed to be in accord with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project.

Audit procedures over the capital fund program activities revealed that the PHA did not draw any capital grant funds for the entire fiscal year. However, the PHA expended \$147,848 of capital funds over the last 2 years:

- Total Receivable from HUD as of June 30, 2006 \$91,101
- Total grant expenditure for current fiscal year \$56,747

This revealed that the PHA did not have proper cash management procedures in place.

Recommendation:

Lake Metropolitan Housing Authority should implement proper cash management procedures.

Lake Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2007

The following are the status of the June 30, 2006 audit findings.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-LMHA -1	The Authority does not maintain an adequate detailed capital asset listing	No	Not Corrected – Finding repeated in current audit report. The Agency has stated that it has begun a reconciliation of all current assets, and will present a new depreciation schedule to HUD and the auditor by March 31, 2008.
2006-LMHA -2	Certain records could not be located for the audit	Yes	Corrected – The records after current staff were hired were all made available for the audit, however, certain information in the early part of the fiscal year could not be located.
2006-LMHA-3	No written fiscal policy or procedures	Yes	Corrected - Written policy were provided for the audit.
2007-LMAH-4	Proper authorization to execute contracts	Yes	Corrected – No new contracts were entered during the audit period. However, it appears that proper controls were implemented.
2006-LMHA-5	Policy and procedures for use of credit card	Yes	Corrected – Proper policy and procedures for use of credit cards were implemented
2006-LMHA-6	Management staff	Yes	Corrected – Permanent Executive Director and Finance Director were hired.
2006-LMHA-7	No written allocation plan	No	Not Corrected – The Agency determined that a time study will not be done until March of 2008 due to management turnover, employee turnover, and past issues in the agency. It was determined that a time study prior to this date will not revealed accurate results. HUD granted until March 2008 to perform this study.
2006-LMHA-8	Check sequence were not properly accounted for	Yes	Corrected – No error noted in current audit.
2006-LMHA-9	Purchase Order were authorized after the purchases were made	No	Not Corrected – Finding repeated in current audit report. The Authority believes that with the hiring of a new Executive Director & Finance Director, the agency has taken steps to ensure proper PO policy is followed and enforced.

Lake Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2007

The following are the status of the June 30, 2006 audit findings.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
FED-2006-1	Section 8 New Construction Contract was not properly administered	Yes	Corrected – No error noted in current audit.
FED-2006-2	No supporting documentation was provided for the PHAS report filed	Yes	Corrected – No error noted in current audit.
FED-2006-3	Eligibility – Annual reexamination not done timely	No	Not Corrected – Finding repeated in current audit report. The Agency has stated that it has begun to implement consistent and ongoing quality audit controls as part of a corrective action plan on this item and will be reflected in the following audit.
FED-2006-4	Eligibility – Income verification not documented	No	Not Corrected – Finding repeated in current audit report. The Agency has stated that it has begun to implement consistent and ongoing quality audit controls as part of a corrective action plan on this item and will be reflected in the following audit.
FED-2006-5	Eligibility – Declaration of Citizenship not documented in files	No	Not Corrected – Finding repeated in current audit report. The Agency has stated that it has begun to implement consistent and ongoing quality audit controls as part of a corrective action plan on this item and will be reflected in the following audit.
FED-2006-6	No documentation to support CFP expenditures	Yes	Corrected – No error noted in current audit.



Mary Taylor, CPA
Auditor of State

LAKE METROPOLITAN HOUSING AUTHORITY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 29, 2008**