

LORAIN METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008



Mary Taylor, CPA
Auditor of State

Board of Directors
Lorain Metropolitan Housing Authority
1600 Kansas Avenue
Lorain, Ohio 44052

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 21, 2009

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**LORAIN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of and for the years ended June 30, 2009 and June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lorain Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2009 and June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009, on our consideration of the Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Lorain Metropolitan Housing Authority, Ohio. The Schedule of Completed Grants/Certificates is presented for purposes of additional analysis as required by the U.S. 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Authority has not presented the Financial Data Schedules (FDS) required by the U.S. Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is now undertaking.


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 9, 2009

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Unaudited)**

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

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

FINANCIAL HIGHLIGHTS

- The primary government's net assets decreased by \$2,112,382, or 5.3 percent, during 2009. Since the Authority engages in only business-type activities, the increase is all in the category of business-type net assets. Net assets were \$37,712,206 and \$39,824,588 for 2009 and 2008, respectively.
- The business-type activities revenue for the primary government decreased by \$2,136,607, or 7.3 percent, during 2009 and were \$27,050,377 and \$29,186,984 for 2009 and 2008, respectively.
- The total expenses, for the primary government, before extraordinary items, of all Authority programs increased by \$1,658,908 or 6.0 percent. Total expenses, before extraordinary items, were \$29,421,283 and \$27,762,375 for 2009 and 2008, respectively.
- The component unit's net assets increased by \$73,057, or 2.8 percent, during 2009. Since the Authority engages in only business-type activities, the increase is all in the category of business-type net assets. Net assets were \$2,689,095 and \$2,616,038 for 2009 and 2008, respectively.
- The business-type activities' operating revenue for the component unit decreased by \$8,410 or .6 percent, during 2009 and were \$1,393,558 and \$1,401,968 for 2009 and 2008, respectively.
- The total expenses for the component unit, before extraordinary items, decreased by \$35,029 or 2.4 percent. Total expenses, before extraordinary items, were \$1,400,337 and \$1,435,366 for 2009 and 2008, respectively.

Financial Statements

The Authority's financial 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 of the Authority. The Statement is presented in a format where assets minus liabilities equal Net Assets, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible into cash within one year) and "non-current".

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Unaudited)**

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

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

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

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

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

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

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

The Authority's Programs

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)**

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

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

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

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

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged in only business-type activities.

Table 1 - Statement of Net Assets - Primary Government

	2009	2008	2007
<u>Assets</u>			
Current and Other Assets	\$ 11,679,322	\$ 12,101,436	\$ 9,265,491
Capital Assets	<u>27,130,998</u>	<u>29,037,612</u>	<u>30,222,944</u>
Total Assets	<u>38,810,320</u>	<u>41,139,048</u>	<u>39,488,435</u>
<u>Liabilities</u>			
Current Liabilities	833,755	975,574	702,333
Long-Term Liabilities	<u>264,359</u>	<u>338,886</u>	<u>386,123</u>
Total Liabilities	<u>1,098,114</u>	<u>1,314,460</u>	<u>1,088,456</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	27,130,998	29,037,612	30,222,944
Restricted	2,164,534	3,873,351	83,649
Unrestricted	<u>8,416,674</u>	<u>6,913,625</u>	<u>8,093,386</u>
Total Net Assets	<u>\$ 37,712,206</u>	<u>\$39,824,588</u>	<u>\$38,399,979</u>

For more detailed information, see the Statement of Net Assets.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Unaudited)**

Major Factors Affecting the Statement of Net Assets

Current assets were decreased by \$422,114, while current liabilities were decreased by \$141,819. Current assets, primarily cash and investments, decreased due to a combination of the timing of funding in the Capital Fund Program, recovery of excess Housing Choice Voucher Housing Assistance Payment funding, and the results of operations. Current liabilities increased primarily due to the timing of work completion and invoicing in the Capital Fund Program.

Capital assets decreased by \$1,906,614 from \$29,037,612 to \$27,130,998. For more detail, see the section Capital Assets and Debt Administration.

Table 2 - Change of Unrestricted Net Assets - Primary Government

Unrestricted Net Assets at June 30, 2008	<u>\$6,913,627</u>
Results of Operations	(2,112,382)
Adjustments:	
Depreciation (1)	<u>2,912,441</u>
Adjusted Results from Operations	800,059
Net Change in Restricted Assets (3)	1,708,817
Net Change in Capital Assets (2)	<u>(1,005,829)</u>
Unrestricted Net Assets at June 30, 2009	<u>\$ 8,416,674</u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.
- (2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against results of operations, and therefore must be deducted.
- (3) HUD recovery of excess Housing Choice Voucher Housing Assistance Payment funding in fiscal year 2009.

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Unaudited)**

Table 3-Statement of Revenues, Expenses, and Changes in Net Assets-Primary Government

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Revenues</u>			
Tenant Revenue - Rents and Other	\$ 1,799,255	\$ 1,791,353	\$ 1,695,060
Operating Subsidies and Grants	23,847,885	25,152,978	24,639,009
Capital Grants	647,402	1,557,992	1,913,834
Investment Income	298,684	449,967	428,122
Other Revenues	<u>457,151</u>	<u>234,694</u>	<u>263,718</u>
Total Revenues	<u>27,050,377</u>	<u>29,186,984</u>	<u>28,939,743</u>
<u>Expenses</u>			
Administrative	4,239,396	4,048,558	3,909,515
Tenant Services	174,792	161,684	158,775
Utilities	1,569,639	1,530,225	1,507,287
Maintenance	2,693,724	2,598,900	2,752,842
Protective Services	362,896	361,153	350,585
General	733,306	759,125	629,223
Housing Assistance Payments	16,735,089	15,409,434	16,338,261
Depreciation	<u>2,912,441</u>	<u>2,893,296</u>	<u>2,748,636</u>
Total Expenses before Extraordinary Item	29,421,283	27,762,375	28,395,124
Extraordinary Item	<u>(258,524)</u>	<u>0</u>	<u>16,585</u>
Total Expenses after Extraordinary Item	<u>29,162,759</u>	<u>27,762,375</u>	<u>28,411,709</u>
Net Increase/(Decrease)	<u>\$ (2,112,382)</u>	<u>\$ 1,424,609</u>	<u>\$ 528,034</u>

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

Total revenues decreased by \$2,136,607. This net decrease is a result of HUD's Section 8 funding decrease in order to recover prior year over-funding of HAP expenses, timing in the funding of Capital Projects that utilize the Capital Fund Program, and a reduction in investment income due to falling interest rates.

Total expenses before extraordinary and special items increased \$1,658,908. This change was primarily due to the increase in the Housing Choice Voucher HAP expenses created by an increased program size, as well as rising average HAP payments.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$27,130,998 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$1,906,614 from the end of last year.

Table 4 - Capital Asset at Year-End (Net of Depreciation) - Primary Government

	2009	2008	2007
Land	\$ 4,688,955	\$ 4,673,858	\$ 4,673,858
Buildings	65,687,192	64,943,036	63,187,814
Office Equipment	859,776	823,494	809,676
Maintenance Equipment/Vehicles	606,197	905,196	842,534
Construction in Progress	517,162	401,618	568,326
Total	<u>72,359,282</u>	<u>71,747,202</u>	<u>70,082,208</u>
Less Accumulated Depreciation	<u>(45,228,284)</u>	<u>(42,709,590)</u>	<u>(39,859,264)</u>
Total Capital Assets	<u>\$27,130,998</u>	<u>\$29,037,612</u>	<u>\$30,222,944</u>

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

Table 5 - Change in Capital Assets - Primary Government - June 30, 2009

Beginning Balance - July 1, 2008	\$29,037,615
Additions	1,015,116
Retirements, net of Depreciation	(9,287)
Depreciation	<u>(2,912,443)</u>
Ending Balance - June 30, 2008	<u>\$27,131,001</u>

This year's major additions are:

Capital Improvements Programs	\$ 874,797
Equipment Purchases	<u>140,319</u>
Total Additions	<u>\$ 1,015,116</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$3,665,000 in debt (bonds) outstanding compared to \$3,875,000 last year, a \$210,000 decrease (debt retirement). No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	2009	2008	2007
Refinance of Construction and Acquisition	\$ 3,665,000	\$ 3,875,000	\$ 4,070,000
Less: Current Portion	(225,000)	(210,000)	(195,000)
Total Outstanding Debt	\$ 3,440,000	\$ 3,665,000	\$ 3,875,000

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009 AND JUNE 30, 2008

	June 30, 2009			June 30, 2008		
	Primary	Component		Primary	Component	
	<u>Government</u>	<u>Unit</u>		<u>Government</u>	<u>Unit</u>	
	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation	Total (Memorandum Only)	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation	Total (Memorandum Only)
ASSETS						
Current Assets						
Cash and Equivalents:						
Cash and Cash Equivalents	\$ 2,206,050	\$ 283,830	\$ 2,489,880	\$ 575,655	\$ 15,589	\$ 591,244
Cash - Restricted	2,223,398	0	2,223,398	1,407,590	0	1,407,590
Cash - Tenant Security Deposits	<u>145,581</u>	<u>42,397</u>	<u>187,978</u>	<u>144,458</u>	<u>41,108</u>	<u>185,566</u>
Total Cash and Cash Equivalents	<u>4,575,029</u>	<u>326,227</u>	<u>4,901,256</u>	<u>2,127,703</u>	<u>56,697</u>	<u>2,184,400</u>
Accounts and Notes Receivable:						
HUD - Other Projects	88,474	0	88,474	414,687	0	414,687
Miscellaneous	8,841	0	8,841	6,782	0	6,782
Tenants, Net	75,278	6,438	81,716	85,509	5,124	90,633
Fraud Recovery Receivable, Net	95,521	4,874	100,395	151,536	2,288	153,824
Accrued Interest Receivable	<u>103,082</u>	<u>35,980</u>	<u>139,062</u>	<u>148,520</u>	<u>34,774</u>	<u>183,294</u>
Total Accounts and Notes Receivable	<u>371,196</u>	<u>47,292</u>	<u>418,488</u>	<u>807,034</u>	<u>42,186</u>	<u>849,220</u>
Other Current Assets:						
Investments - Unrestricted	6,499,000	1,915,000	8,414,000	6,376,000	2,209,000	8,585,000
Investments - Restricted	0	837,784	837,784	2,500,000	900,306	3,400,306
Inventories, Net	204,416	11,479	215,895	210,105	19,937	230,042
Prepaid Expenses and Other Assets	29,681	17,360	47,041	31,879	17,776	49,655
Due from Primary Government	<u>0</u>	<u>8,486</u>	<u>8,486</u>	<u>48,715</u>	<u>0</u>	<u>48,715</u>
Total Other Current Assets	<u>6,733,097</u>	<u>2,790,109</u>	<u>9,523,206</u>	<u>9,166,699</u>	<u>3,147,019</u>	<u>12,313,718</u>
Total Current Assets	<u>11,679,322</u>	<u>3,163,628</u>	<u>14,842,950</u>	<u>12,101,436</u>	<u>3,245,902</u>	<u>15,347,338</u>
Non-Current Assets						
Capital Assets						
Land, Structure, and Equipment	72,359,282	8,039,517	80,398,799	71,747,202	7,926,750	79,673,952
Less Accumulated Depreciation	<u>(45,228,284)</u>	<u>(4,626,199)</u>	<u>(49,854,483)</u>	<u>(42,709,590)</u>	<u>(4,395,503)</u>	<u>(47,105,093)</u>
Total Capital Assets	<u>27,130,998</u>	<u>3,413,318</u>	<u>30,544,316</u>	<u>29,037,612</u>	<u>3,531,247</u>	<u>32,568,859</u>
Total Non-Current Assets	<u>27,130,998</u>	<u>3,413,318</u>	<u>30,544,316</u>	<u>29,037,612</u>	<u>3,531,247</u>	<u>32,568,859</u>
TOTAL ASSETS	<u>\$38,810,320</u>	<u>\$ 6,576,946</u>	<u>\$45,387,266</u>	<u>\$41,139,048</u>	<u>\$ 6,777,149</u>	<u>\$47,916,197</u>

See notes to the financial statements

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009 AND JUNE 30, 2008
(CONTINUED)

	June 30, 2009			June 30, 2008		
	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 172,947	\$ 8,298	\$ 181,245	\$ 370,131	\$ 11,157	\$ 381,288
Accrued Wages and Payroll Taxes	140,588	10,000	150,588	117,885	8,570	126,455
Accrued Compensated Absences	258,484	15,061	273,545	249,255	17,033	266,288
Accrued Interest Payable	0	107,087	107,087	0	113,223	113,223
Accounts Payable - HUD PHA Programs	0	0	0	2	0	2
Accounts Payable - PILOT and Other	0	28,062	28,062	0	29,447	29,447
Tenant Security Deposits	141,163	41,686	182,849	142,099	38,377	180,476
Current Portion of Long-Term Debt	0	225,000	225,000	0	210,000	210,000
Other Current Liabilities	112,087	3,218	115,305	96,202	7,168	103,370
Due to Component Unit	8,486	0	8,486	0	48,715	48,715
Total Current Liabilities	<u>833,755</u>	<u>438,412</u>	<u>1,272,167</u>	<u>975,574</u>	<u>483,690</u>	<u>1,459,264</u>
Non-Current Liabilities						
Long-Term Debt, Net of Current Portion	0	3,440,000	3,440,000	0	3,665,000	3,665,000
Accrued Compensated Absences	204,643	9,439	214,082	169,478	12,421	181,899
Non-Current Liabilities - FSS Escrow and Others	59,716	0	59,716	169,408	0	169,408
Total Non-Current Liabilities	<u>264,359</u>	<u>3,449,439</u>	<u>3,713,798</u>	<u>338,886</u>	<u>3,677,421</u>	<u>4,016,307</u>
TOTAL LIABILITIES	<u>1,098,114</u>	<u>3,887,851</u>	<u>4,985,965</u>	<u>1,314,460</u>	<u>4,161,111</u>	<u>5,475,571</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	27,130,998	600,814	27,731,812	29,037,612	508,842	29,546,454
Restricted Net Assets	2,164,534	837,784	3,002,318	3,873,351	900,306	4,773,657
Unrestricted Net Assets	8,416,674	1,250,497	9,667,171	6,913,625	1,206,890	8,120,515
TOTAL NET ASSETS	<u>37,712,206</u>	<u>2,689,095</u>	<u>40,401,301</u>	<u>39,824,588</u>	<u>2,616,038</u>	<u>42,440,626</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$38,810,320</u>	<u>\$ 6,576,946</u>	<u>\$45,387,266</u>	<u>\$41,139,048</u>	<u>\$ 6,777,149</u>	<u>\$47,916,197</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	June 30, 2009			June 30, 2008		
	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)
Operating Revenue						
Net Tenant Rental Revenue	\$ 1,593,385	\$ 524,475	\$ 2,117,860	\$ 1,592,297	\$ 529,787	\$ 2,122,084
Tenant Revenue - Other	205,870	8,027	213,897	199,056	6,359	205,415
	<u>1,799,255</u>	<u>532,502</u>	<u>2,331,757</u>	<u>1,791,353</u>	<u>536,146</u>	<u>2,327,499</u>
HUD PHA Operating Grants	23,847,885	848,986	24,696,871	25,152,978	856,675	26,009,653
Fraud Recovery Receivable	257,386	0	257,386	119,767	0	119,767
Other Revenue	160,207	12,070	172,277	111,427	9,147	120,574
Total Operating Revenues	<u>26,064,733</u>	<u>1,393,558</u>	<u>27,458,291</u>	<u>27,175,525</u>	<u>1,401,968</u>	<u>28,577,493</u>
Operating Expenses						
Administrative	4,239,396	379,540	4,618,936	4,048,558	418,007	4,466,565
Tenant Services	174,792	0	174,792	161,684	16	161,700
Utilities	1,569,639	229,298	1,798,937	1,530,225	223,098	1,753,323
Ordinary Maintenance and Operation	2,693,724	246,783	2,940,507	2,598,900	266,598	2,865,498
Protective Services	362,896	3,228	366,124	361,153	3,405	364,558
Insurance Premiums	357,654	37,570	395,224	354,894	36,558	391,452
Other General Expenses	9,926	1,018	10,944	9,470	1,239	10,709
Payments in Lieu of Taxes	0	28,062	28,062	0	29,457	29,457
Bad Debt	159,180	6,502	165,682	110,132	2,263	112,395
Severance Expense	7,116	0	7,116	41,600	0	41,600
Extraordinary Maintenance	173,301	0	173,301	203,403	0	203,403
Casualty Losses - Non-Capitalized	26,129	0	26,129	39,626	2,684	42,310
Housing Assistance Payments	16,735,089	0	16,735,089	15,409,434	0	15,409,434
Depreciation Expense	2,912,441	234,134	3,146,575	2,893,296	204,492	3,097,788
Total Operating Expenses	<u>29,421,283</u>	<u>1,166,135</u>	<u>30,587,418</u>	<u>27,762,375</u>	<u>1,187,817</u>	<u>28,950,192</u>
Operating Income	<u>(3,356,550)</u>	<u>227,423</u>	<u>(3,129,127)</u>	<u>(586,850)</u>	<u>214,151</u>	<u>(372,699)</u>
Non-Operating Revenues (Expenses)						
Investment Income - Unrestricted	249,045	74,659	323,704	319,194	110,188	429,382
Investment Income - Restricted	49,639	5,177	54,816	130,773	26,379	157,152
Interest Expense	0	(234,202)	(234,202)	0	(247,549)	(247,549)
Gain (loss) on Capital Assets	39,558	0	39,558	3,500	0	3,500
Total Non-Operating Revenues (Expenses)	<u>338,242</u>	<u>(154,366)</u>	<u>183,876</u>	<u>453,467</u>	<u>(110,982)</u>	<u>342,485</u>
Income (Loss) Before Capital Contributions and Extraordinary Item	(3,018,308)	73,057	(2,945,251)	(133,383)	103,169	(30,214)
Capital Contributions	647,402	0	647,402	1,557,992	0	1,557,992
Special Item	258,524	0	258,524	0	0	0
Change in Net Assets	<u>(2,112,382)</u>	<u>73,057</u>	<u>(2,039,325)</u>	<u>1,424,609</u>	<u>103,169</u>	<u>1,527,778</u>
Total Net Assets - Beginning	<u>39,824,588</u>	<u>2,616,038</u>	<u>42,440,626</u>	<u>38,399,979</u>	<u>2,512,869</u>	<u>40,912,848</u>
Total Net Assets - Ending	<u>\$37,712,206</u>	<u>\$ 2,689,095</u>	<u>\$40,401,301</u>	<u>\$39,824,588</u>	<u>\$ 2,616,038</u>	<u>\$42,440,626</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	June 30, 2009			June 30, 2008		
	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)
Cash Flows from Operating Activities						
Tenant Revenue Received	\$ 1,809,486	\$ 533,476	\$ 2,342,962	\$ 1,777,709	\$ 531,795	\$ 2,309,504
Other Revenue Received	416,337	10,505	426,842	326,983	6,650	333,633
General and Administrative Expenses Paid	(26,670,571)	(934,845)	(27,605,416)	(24,525,248)	(997,354)	(25,522,602)
Net Cash Provided (Used) by Operating Activities	(24,444,748)	(390,864)	(24,835,612)	(22,420,556)	(458,909)	(22,879,465)
Cash Flows from Non-Capital Financing Activities						
Government Operating Grants Received	23,843,206	848,986	24,692,192	25,160,125	856,675	26,016,800
Special Items	258,524	0	258,524	0	0	0
Increases/Decreases in Due To/ Due From Related Activity	57,201	(57,201)	0	6,064	(6,064)	0
Net Cash Provided (Used) by Non-Capital Financing Activities	24,158,931	791,785	24,950,716	25,166,189	850,611	26,016,800
Cash Flows from Capital and Related Financing Activities						
Proceeds from Sale of Capital Assets	48,845	0	48,845	9,673	0	9,673
Government Capital Grants Received	978,292	0	978,292	1,314,159	0	1,314,159
Purchases of Land, Structures, and Equipment	(1,015,116)	(116,205)	(1,131,321)	(1,714,137)	(192,280)	(1,906,417)
Payments to Retire Long-Term Debt	0	(210,000)	(210,000)	0	(195,000)	(195,000)
Interest Paid	0	(240,338)	(240,338)	0	(253,246)	(253,246)
Net Cash Provided (Used) by Capital and Related Financing Activities	12,021	(566,543)	(554,522)	(390,305)	(640,526)	(1,030,831)
Cash Flows from Investing Activities						
Purchase from Investments	(14,204,000)	(5,264,612)	(19,468,612)	(11,967,000)	(4,884,651)	(16,851,651)
Proceeds from Sale of Investments	16,581,000	5,621,134	22,202,134	8,947,000	4,908,834	13,855,834
Interest Received	344,122	78,630	422,752	439,993	151,859	591,852
Net Cash Provided (Used) by Investing Activities	2,721,122	435,152	3,156,274	(2,580,007)	176,042	(2,403,965)
Increase (Decrease) in Cash and Cash Equivalents		2,447,326	269,530	2,716,856	(224,679)	(72,787,461)
Cash and Cash Equivalents - Beginning of Year	2,127,703	56,697	2,184,400	2,352,382	129,479	2,481,861
Cash and Cash Equivalents - End of Year	\$ 4,575,029	\$ 326,227	\$ 4,901,256	\$ 2,127,703	\$ 56,697	\$ 2,184,400
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	\$ (3,356,550)	\$ 227,423	\$ (3,129,127)	\$ (586,850)	\$ 214,151	\$ (372,699)
Adjustments to Change in Net Assets:						
HUD PHA Operating Grants	(23,847,885)	(848,986)	(24,696,871)	(25,152,978)	(856,675)	(26,009,653)
Add Back Non-Cash Items:						
Depreciation Expense	2,912,443	234,134	3,146,577	2,893,296	204,492	3,097,788
Decrease (Increase) in Operating Assets:						
Accounts Receivable	64,187	(3,900)	60,287	80,383	(4,350)	76,033
Prepaid Expenses	2,198	417	2,615	75,635	875	76,510
Inventory	5,689	8,458	14,147	43,954	(19,937)	24,017
Increase (Decrease) in Operating Liabilities:						
Accounts Payable	(197,184)	(2,859)	(200,043)	188,657	(6,884)	181,773
Accrued Liabilities	(43,531)	(4,166)	(47,697)	37,347	10,232	47,579
Other Liabilities	15,885	(1,385)	14,500	0	(813)	(813)
Total Adjustments	(21,088,198)	(618,287)	(21,706,485)	(21,833,706)	(673,060)	(22,506,766)
Net Cash Used by Operating Activities	\$(24,444,748)	\$ (390,864)	\$(24,835,612)	\$(22,420,556)	\$ (458,909)	\$(22,879,465)

See notes to the financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1: DESCRIPTION OF THE ENTITY

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

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *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 No. 14, the Lorain County Elderly Housing Corporation (LCEHC), a 501c(3) not-for-profit entity, is a component unit of LMHA.

Lorain Metropolitan Housing Authority

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 1: **DESCRIPTION OF THE ENTITY** (Continued)

Component Unit

The Lorain County Elderly Housing Corporation (LCEHC), a 501c(3) not-for-profit entity, is a component unit of LMHA and is organized for the purpose of providing a comprehensive and coordinated system of services for the elderly in the Lorain County area of northeastern Ohio.

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

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

Joint Venture

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Accounting (Continued)

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts - Bad Debt Expenses

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

Fraud Recovery Receivable

Fraud recovery receivable represents the full amount of the accounts receivable from tenants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent. The revenues associated with these accounts receivables have been recognized and an allowance account has been established for uncollectable amounts.

Investments

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments - Restricted

Restricted investments for LMHA represent amounts received from tenants for security deposits and FSS program escrow accounts.

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

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

Inventory

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

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 and a useful life greater than one year are capitalized and depreciated.

Compensated Absences

LMHA and its component unit LCEHC account for compensated absences in accordance with GASB Statement No. 16, vesting method.

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences (Continued)

Sick leave balances are subject to payment to nonunion employee after ten (10) years of service at LMHA. Sick leave balances are subject to payment to union employees after ten (10) years of service and a minimum age of sixty-five (65), or fifteen (15) years of service and a minimum age of sixty (60), or 20 years of service and a minimum age of fifty-five (55), or twenty-five (25) years of service and a minimum age of fifty (50). Employee sick leave payments are equal to 50 percent of the employee's available sick time hour, up to a maximum to 960 hours. LMHA and LCEHC record a liability for unused sick leave to the extent that it is probable that payment will be made.

Interprogram Due To and Due From Other Entities

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

Use of Estimates

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

Budgetary Accounting

LMHA annually prepares its budget as prescribed by HUD. This budget is adopted by the Board of LMHA.

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which LMHA and its component unit (LCEHC) places deposits, pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 100 percent of the carrying value of the public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies. The combined

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

carrying amount of both LMHA's and LCEHC's deposits, including restricted family self-sufficiency accounts, restricted housing choice voucher housing assistance payments accounts, and tenant security deposits, was \$4,901,256 and \$2,184,400 at June 30, 2009 and 2008, respectively, and the bank balance was \$5,099,529 and \$2,343,271 at June 30, 2009 and 2008, respectively. The difference represents outstanding checks and other in-transit transactions of the bank balance. In each balance, \$250,000 was covered by federal depository insurance and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

Investments

LMHA has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet LMHA's cash flow needs and return on investment are secondary goals of the policy. LMHA does not purchase any form of derivative. The combined carrying amount of both LMHA's and LCEHC's investments was \$8,414,000 and \$11,085,000 at June 30, 2009 and 2008, respectively, and the bank balance was the same. The investments are held in certificates of deposit greater than 3 months but less than 1 year maturity.

Trust Funds

In accordance with LCEHC contractual provisions, the Bank of New York funds are restricted for designated purposes related to servicing of the debt associated with LCEHC. The carrying amount of these funds was \$837,784 and \$900,306 at June 30, 2009 and 2008, respectively.

In accordance with the Ohio Revised Code and LMHA's investment policy, LMHA and LCEHC are authorized to invest in (1) bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest; (2) bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; (3) certificates of deposit purchased from qualified banks and savings and loans; (4) bonds and other obligations of the State of Ohio; (5) no-load money market mutual funds consisting exclusively of obligations described in division (1) or (2), and repurchase agreements secured by such obligation, provided that investments in securities described in this division are made only through eligible institutions; (6) the State Treasury Asset Reserve of Ohio managed by the Treasurer of the State of Ohio (STAROhio); and (7) subject to certain restrictions and limitations, short-term commercial paper and bankers acceptances.

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Interest Rate Risk

LMHA's investment policy limits investments to five years, but does not specifically limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. LMHA holds its investments to maturity to avoid realizing losses from rising interest rates.

Credit Risk

LMHA invests in certificates of deposits that are covered by \$250,000 FDIC insurance and the balance is collateralized by pledged securities held in joint custody at the Federal Reserve Bank.

Concentration of Credit Risk

LMHA does not limit the amount that may be invested with any one issuer and in fact is invested with one financial institution in Certificates of Deposits and Money Market Investment accounts. However, LMHA does competitively bid banking services every 3 years, with 2 one-year options. In addition, all investments are collateralized as mentioned above.

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

	June 30, 2009		
	Primary Government	Component Unit	Total
<u>Cash and Investments</u>			
Unrestricted Cash and Cash Equivalents	\$ 2,206,050	\$ 283,830	\$ 2,489,880
Restricted Cash and Cash Equivalents - Housing Choice Voucher Housing Assistance Payments	2,164,534	0	2,164,534
Unrestricted Investments	6,499,000	1,915,000	8,414,000
Restricted Cash and Investment - Tenant Security Deposits and FSS Deposits	204,445	42,397	246,842
Restricted Investments - Trustee and Endowment Fund	0	837,784	837,784
Total Cash and Investments	\$ 11,074,029	\$ 3,079,011	\$ 14,153,040
Carrying Amount of Deposits	\$ 4,575,029	\$ 326,227	\$ 4,901,256
Carrying Amount of Investments	6,499,000	2,752,784	9,251,784
Total	\$ 11,074,029	\$ 3,079,011	\$ 14,153,040
	June 30, 2008		
	Primary Government	Component Unit	Total
<u>Cash and Investments</u>			
Unrestricted Cash and Cash Equivalents	\$ 575,655	\$ 15,589	\$ 591,244
Restricted Cash and Cash Equivalents - Housing Choice Voucher Housing Assistance Payments	1,354,426	0	1,354,426
Unrestricted Investments	6,376,000	2,209,000	8,585,000
Restricted Investments - Housing Choice Voucher Housing Assistance Payments	2,500,000	0	2,500,000
Restricted Cash and Investments - Tenant Security Deposits and FSS Deposits	197,622	41,108	238,730
Restricted Investments - Trustee and Endowment Fund	0	900,306	900,306
Total Cash and Investments	\$ 11,003,703	\$ 3,166,003	\$ 14,169,706
Carrying Amount of Deposits	\$ 2,127,703	\$ 56,697	\$ 2,184,400
Carrying Amount of Investments	8,876,000	3,109,306	11,985,306
Total	\$ 11,003,703	\$ 3,166,003	\$ 14,169,706

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 4: RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES

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

Lorain Metropolitan Housing Authority

	June 30,	
	2009	2008
<u>Business Activities</u>		
Other Non-HUD Reserves	\$ 4,014	\$ 4,003
<u>Low-Rent Public Housing</u>		
Tenant Security Deposits	141,567	140,455
Family Self-Sufficiency Escrow Deposits	25,423	24,911
<u>Section 8 Program</u>		
Housing Assistance Payments	2,164,534	3,854,426
Family Self-Sufficiency Escrow Deposits	33,441	28,253
Total Lorain Metropolitan Housing Authority	\$ 2,368,979	\$ 4,052,048

Lorain County Elderly Housing Corporation

	June 30,	
	2009	2008
Tenant Security Deposits	\$ 42,397	\$ 41,108
Trustee Reserves as Follows:		
Current Revenue Fund	21,000	17,426
Cumulative Reserve Fund	3,198	38,884
Replacement Reserve Fund	194,150	202,190
Tax and Insurance Fund	37,470	31,565
Management Account	9,686	17,811
Interest Account	97,352	115,303
Principal Account	206,250	208,449
Debt Service Fund	268,678	268,678
Total Lorain County Elderly Housing Corporation	\$ 880,181	\$ 941,414

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

Lorain Metropolitan Housing Authority

	Balance <u>July 1, 2008</u>	Additions	Deletions	Balance <u>June 30, 2009</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,673,858	\$ 15,097	\$ 0	\$ 4,688,955
Construction in Progress	<u>401,618</u>	<u>115,544</u>	<u>0</u>	<u>517,162</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>5,075,476</u>	<u>130,641</u>	<u>0</u>	<u>5,206,117</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	64,943,036	744,156	0	65,687,192
Office Equipment	823,494	66,413	(30,131)	859,776
Maintenance Equipment	281,317	14,097	(43,188)	252,226
Vehicles	623,879	59,809	(329,717)	353,971
<i>Total Capital Assets Being Depreciated</i>	<u>66,671,726</u>	<u>884,475</u>	<u>(403,036)</u>	<u>67,153,165</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(41,224,378)	(2,806,431)	0	(44,030,809)
Office Equipment	(697,769)	(67,883)	29,100	(736,552)
Maintenance Equipment	(237,801)	(14,046)	43,188	(208,659)
Vehicles	(549,642)	(24,083)	321,461	(252,264)
<i>Total Accumulated Depreciation</i>	<u>(42,709,590)</u>	<u>(2,912,443)</u>	<u>393,749</u>	<u>(45,228,284)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>23,962,136</u>	<u>(2,027,968)</u>	<u>(9,287)</u>	<u>21,924,881</u>
Capital Assets, Net	<u>\$ 29,037,612</u>	<u>\$ (1,897,327)</u>	<u>\$ (9,287)</u>	<u>\$27,130,998</u>

Lorain County Elderly Housing Corporation

	Balance <u>July 1, 2008</u>	Additions	Deletions	Balance <u>June 30, 2009</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 560,553	\$ 80,827	\$ 0	\$ 641,380
Construction in Progress	<u>0</u>	<u>1,500</u>	<u>0</u>	<u>1,500</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>560,553</u>	<u>82,327</u>	<u>0</u>	<u>642,880</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	7,298,376	0	0	7,298,376
Office Equipment	36,332	0	(3,438)	32,894
Maintenance Equipment	31,489	20,914	0	52,403
Vehicles	<u>0</u>	<u>12,964</u>	<u>0</u>	<u>12,964</u>
<i>Total Capital Assets Being Depreciated</i>	<u>7,366,197</u>	<u>33,878</u>	<u>(3,438)</u>	<u>7,396,637</u>
<i>Less Accumulated Depreciated</i>				
Buildings	(4,356,470)	(224,957)	0	(4,581,427)
Office Equipment	(28,301)	(557)	0	(28,858)
Maintenance Equipment	(10,732)	(5,379)	3,438	(12,673)
Vehicles	<u>0</u>	<u>(3,241)</u>	<u>0</u>	<u>(3,241)</u>
<i>Total Accumulated Depreciation</i>	<u>(4,395,503)</u>	<u>(234,134)</u>	<u>3,438</u>	<u>(4,626,199)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,970,694</u>	<u>(200,256)</u>	<u>0</u>	<u>2,770,438</u>
Capital Assets, Net	<u>\$ 3,531,247</u>	<u>\$ (117,929)</u>	<u>\$ 0</u>	<u>\$ 3,413,318</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 6: DEBT AND LEASE OBLIGATIONS

Lorain County Elderly Housing Corporation Bonds

On March 1, 1993 bonds totaling \$5,875,000 were issued. The bonds issued are fully registered obligations having a minimum denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. The bonds mature on July 15, 2019. Interest is payable semiannually on January 15th and July 15th.

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

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>
2010	\$ 225,000	\$ 226,472	\$ 451,472	6.375%	6.454%
2011	240,000	211,650	451,650	6.375%	6.454%
2012	255,000	195,872	450,872	6.375%	6.454%
2013	270,000	179,138	449,138	6.375%	6.454%
2014	285,000	161,447	446,447	6.375%	6.454%
2015-2019	1,740,000	478,125	2,218,125	6.375%	6.454%
2020	<u>650,000</u>	<u>41,438</u>	<u>691,438</u>	6.375%	6.454%
Totals	<u>\$3,665,000</u>	<u>\$1,494,142</u>	<u>\$5,159,142</u>		

A reconciliation of long-term liabilities are shown below:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Balance at July 1, 2007	\$ 0	\$ 3,875,000	\$ 3,875,000
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>210,000</u>	<u>210,000</u>
Balance at June 30, 2008	<u>0</u>	<u>3,665,000</u>	<u>3,665,000</u>
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>225,000</u>	<u>225,000</u>
Balance at June 30, 2009	<u>\$ 0</u>	<u>\$ 3,440,000</u>	<u>\$ 3,440,000</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 6: **DEBT AND LEASE OBLIGATIONS** (Continued)

Short Term Debt

LMHA has not engaged in short-term borrowing as characterized by GASB Statement No. 38 and therefore has no short-term debt obligations for the years ended June 30, 2009 and 2008, respectively.

Lease Obligations

LMHA has not leased office equipment in the years ended June 30, 2009 and 2008, respectively.

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

LMHA participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial that can be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

For the period ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. LMHA's contribution rate for pension benefits was 7.00 percent of covered payroll for 2008. The Ohio Revised Code provides statutory authority for member and employer contributions.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

LMHA's required contributions for pension obligations to the Traditional and Combined plans for the years ended June 30, 2009, 2008, and 2007, were \$546,109, \$541,057, and \$471,279, respectively; 100 percent has been contributed for 2009, 2008, and 2007. Contributions to the Member-Directed Plan for the years ended June 30, 2009, 2008, and 2007, were \$6,110, \$5,936, and \$5,304, respectively.

LCEHC's required contributions for pension obligations to the Traditional and Combined plans for the years ended June 30, 2009, 2008, and 2007, were \$40,451, \$42,524, and \$35,593, respectively.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009 and 2008, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2009 and 2008, the employer contribution allocated to the health care plan was 7.00 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2009, which were used to fund post-employment benefits were \$259,065 for the Authority and \$20,226 for the Lorain County Elderly Housing Corporation.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 9: INSURANCE COVERAGE

The Authority is covered for property damage, general liability, auto damage and liability, and public officials liability through various insurers. Deductible and coverage limits are summarized below:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 10,000	\$ 141,876,367
General Liability	0	4,000,000
Vehicle	250/500	ACV/1,000,000
Directors, Officers, and Trustees Liability	10,000	1,000,000
Blanket Position Bond	250	250,000

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 3 years. There has been no significant reduction in coverage from the previous fiscal year.

Additionally, workers’ compensation is maintained through the State of Ohio, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan for employee health care benefits.

NOTE 10: SPECIAL ITEMS

On June 6, 2008, LMHA was notified via memorandum that the U.S. District Court for the District of Columbia upheld HUD’s authority to implement the reductions and recaptures in the Housing Choice Voucher Program, but required some modifications in the formula for calculating the 105 percent Reduction provision of the 2003 Appropriations Act. In light of the Court’s ruling, HUD had to again recalculate the application of the 105 percent Reduction and 5 percent Recapture provision which resulted in a refund of administrative fee funding to LMHA in the amount of \$258,524. The amount was appropriated effective September 1, 2008 and transferred September 30, 2008.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 11: RESTRICTED NET ASSETS

The Housing Choice Voucher Program requires that the equity portion attributable to the excess Housing Assistance payments be reflected as restricted net assets. The corresponding funds are reflected in the restricted cash and investment accounts.

	June 30	
	2009	2008
Restricted Housing Choice Voucher Housing Assistance		
HAP CDs	\$ 0	\$ 2,500,000
Housing Choice Voucher HAP Checking	1,448,741	1,247,916
Money Market Account (HAP Portion)	715,793	106,510
Accrued Interest Receivable	0	37,608
Other AP	0	(18,683)
Total	<u>\$2,164,534</u>	<u>\$ 3,873,351</u>

NOTE 12: CONCENTRATIONS

LMHA receives the majority of its revenue from HUD and is subject to mandated changes by HUD and changes in Congressional acts.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Grants

LMHA received financial assistance from a federal agency in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of LMHA. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of LMHA at June 30, 2009 and 2008, respectively.

Contingencies

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
<i>Low Income Housing Assistance Programs</i>		
Section 8 Housing Choice Voucher	14.871	\$ 16,377,719
Public Housing - Operating Subsidy	14.850a	6,102,177
Public Housing Capital Fund Program	14.872	1,683,274
Shelter Plus Care	14.238	296,154
Resident Opportunity and Supportive Services Grant	14.870	<u>35,963</u>
Total U.S. Department of Housing and Urban Development		<u>24,495,287</u>
Total Federal Financial Assistance		<u>\$24,495,287</u>

See Notes to the Schedule of Expenditures of Federal Awards

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1: **PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the federal grant activity of LMHA. This schedule has been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2: **COMPONENT UNIT**

Federal expenditures for the component unit, Lorain County Elderly Housing Corporation (LCEHC), were reported separately in the Corporation's OMB Circular A-133 single audit report. A summary of the amount reported is presented below:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development Section 8 Housing</i>	14.871	<u>\$ 848,986</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF COMPLETED GRANTS/CERTIFICATES
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Description</u>	Note A OH16C60-7039 Shelter Plus Care Grant	Note B OH12P01250106 Capital Fund Grant
Funds Approved - Latest Budget	\$ 506,136	\$ 2,620,120
Funds Advanced	325,762	2,620,120
Funds Expended	<u>325,762</u>	<u>2,620,120</u>
Difference between Funds Advanced and Funds Expended	<u>\$ 0</u>	<u>\$ 0</u>

Note A: This Shelter Plus Care grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2009. Of this grant, \$180,374 was not advanced or expended.

Note B: This Capital Fund grant was completed by LMHA during fiscal year 2009. All funds were advanced and expended.

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

Lorain Metropolitan Housing Authority (LMHA) had a total of 4,544 units under its management. See details below.

<u>Management</u>	<u>Units Available</u>	<u>Average Number of Units Leased in Fiscal Year</u>
Lorain Metropolitan Housing Authority		
Low Income Public Housing	1,450	1,402
Section 8 Vouchers	2,822	2,787
Shelter Plus Care	65	55
General Fund (not HUD funded)	<u>7</u>	<u>4</u>
Total Lorain Metropolitan Housing Authority	<u>4,344</u>	<u>4,248</u>
 Lorain County Elderly Housing Corporation		
Section 8 New Construction	<u>200</u>	<u>188</u>
 Total LMHA and LCEHC	<u><u>4,544</u></u>	<u><u>4,436</u></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
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated November 9, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting.

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 Lorain Metropolitan Housing Authority, Ohio'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 Lorain Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Lorain Metropolitan Housing Authority, Ohio's internal control.

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 Lorain Metropolitan Housing Authority, Ohio's internal control.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lorain Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.
Certified Public Accountants

November 9, 2009

JAMES G. ZUPKA, C.P.A., INC.

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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
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Lorain 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 its major federal program for the year ended June 30, 2009. The Lorain Metropolitan Housing Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Lorain Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Lorain Metropolitan Housing Authority, Ohio's compliance based on our audit.

The Lorain Metropolitan Housing Authority, Ohio's financial statements include the operations of the Lorain County Elderly Housing Corporation, a component unit of Lorain Metropolitan Housing Authority, Ohio, which received \$848,986 in federal awards which are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2009. Our audit described below did not include the operations of the Lorain Elderly Housing Corporation because a separate report was issued for the entity in accordance with OMB Circular A-133.

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; and 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 the Lorain Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Lorain Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Lorain Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Lorain 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 our audit, we considered the Lorain Metropolitan Housing Authority, Ohio's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion the effectiveness of the Lorain Metropolitan Housing Authority, Ohio's internal control over compliance.

A *control deficiency* in an entity'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 entity'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 entity'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 entity's internal control.

Our consideration of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 9, 2009

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Housing Choice Voucher - CFDA #14.871	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$734,859 Type B: > all others
2009(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LORAIN METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2008.

LORAIN COUNTY ELDERLY HOUSING CORPORATION

AUDIT REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

LORAIN COUNTY ELDERLY HOUSING CORPORATION
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Board of Trustees
Lorain County Elderly Housing Corporation
Lorain, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the Lorain County Elderly Housing Corporation, Lorain, Ohio, (a nonprofit organization), as of June 30, 2009 and 2008, the related statements of activities, cash flows, and changes in net assets for the fiscal years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

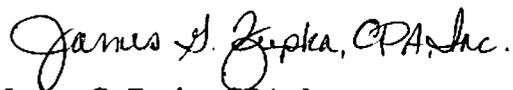
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the Lorain County Elderly Housing Corporation and the changes in its net assets and its 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*, we have also issued our report dated November 9, 2009, on our consideration of the Lorain County Elderly Housing Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Lorain County Elderly Housing Corporation taken as a whole. The accompanying Schedule of Expenditures 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 Governments, and Non-Profit Organizations*, 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In addition, supplemental schedules noted as Exhibits A-1, A-2, and B are presented for purposes of additional analysis, as requested by the Bond Trustee and are 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



James G. Zupka, CPA, Inc.
Certified Public Accountant

November 9, 2009

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 283,830	\$ 15,589
Cash Restricted for Tenant Security Deposits	42,397	41,108
Unrestricted Investments	1,915,000	2,209,000
Temporarily Restricted Investments	837,784	900,306
Accounts Receivable - HUD		
Accounts Receivable - Tenants, Net of Allowance of \$116 in 2009 and \$543 in 2008	11,312	7,412
Receivable from LMHA	8,486	0
Accrued Interest Receivable	35,980	34,774
Prepaid Expense	17,360	17,776
Inventory	11,479	19,937
Total Current Assets	3,163,628	3,245,902
<u>Noncurrent Assets</u>		
Land, Structures, and Equipment	8,039,517	7,926,750
Less: Accumulated Depreciation	(4,626,199)	(4,395,503)
Total Noncurrent Assets	3,413,318	3,531,247
TOTAL ASSETS	\$ 6,576,946	\$ 6,777,149
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 8,298	\$ 11,157
Accrued Wages and Fringe Benefits	10,000	8,570
Accrued Compensated Absences	15,061	17,033
Accrued Interest	107,087	113,223
Other Current Liabilities	3,218	7,168
Payment in Lieu of Taxes (PILOT)	28,062	29,447
Tenant Security Deposit Payable	41,686	38,377
Payable to LMHA	0	48,715
Bonds Payable - Current Portion	225,000	210,000
Total Current Liabilities	438,412	483,690
<u>Noncurrent Liabilities</u>		
Long-term Compensated Absences	9,439	12,421
Long-term Bonds Payable, Less Current Portion	3,440,000	3,665,000
Total Noncurrent Liabilities	3,449,439	3,677,421
TOTAL LIABILITIES	3,887,851	4,161,111
<u>Net Assets</u>		
Unrestricted	2,689,095	2,616,038
Total Net Assets	2,689,095	2,616,038
TOTAL LIABILITIES AND NET ASSETS	\$ 6,576,946	\$ 6,777,149

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<u>Revenue</u>		
Net Tenant Rental Revenue	\$ 524,475	\$ 529,787
Tenant Revenue - Other	8,027	6,359
Total Tenant Revenue	532,502	536,146
HUD PHA Operating Grants	848,986	856,675
Other Revenue	12,070	9,147
Total Revenue	1,393,558	1,401,968
<u>Operating Expenses</u>		
Administrative	379,540	418,023
Utilities	229,298	223,098
Ordinary Maintenance and Operation	246,783	270,521
Protective Services	3,228	3,405
Insurance Premiums	37,570	36,558
Payment in Lieu of Taxes (PILOT)	28,062	29,457
Bad Debt (Recovery) - Tenant Rents	6,502	2,263
Other General Expenses	1,018	0
Interest Expense	234,202	247,549
Total Operating Expenses	1,166,203	1,230,874
Net Operating Income	227,355	171,094
<u>Other Revenues (Expenses)</u>		
Investment Income - Unrestricted	74,659	110,188
Investment Income - Restricted	5,177	26,379
Depreciation Expense	(234,134)	(204,492)
Total Other Revenues (Expenses)	(154,298)	(67,925)
Change in Net Assets	\$ 73,057	\$ 103,169

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities		
Tenant Revenue Received	\$ 533,476	\$ 531,795
Government Operating Grants Received	848,986	856,675
Other Revenue Received	10,505	6,650
General and Administrative Expenses Paid	(934,845)	(997,354)
Interest Received	78,630	151,859
Interest Paid	(240,338)	(253,246)
Net Cash Provided by Operating Activities	296,414	296,379
 Cash Flows from Investing Activities		
Purchases of Land, Structures, and Equipment	(116,205)	(192,280)
Purchase of Investments	(5,264,612)	(4,884,651)
Proceeds from Sale of Investments	5,621,134	4,908,834
Net Cash Used in Investing Activities	240,317	(168,097)
 Cash Flows from Capital and Related Financing Activities		
Increases/Decreases in Due To/Due From Related Entity	(57,201)	(6,064)
Payments to Retire Long-term Debt	(210,000)	(195,000)
Net Cash Used in Financing Activities	(267,201)	(201,064)
Decrease in Cash and Cash Equivalents	269,530	(72,782)
 Cash and Cash Equivalents - Beginning of Year	56,697	129,479
 Cash and Cash Equivalents - End of Year	\$ 326,227	\$ 56,697
 Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Change in Net Assets	\$ 73,057	\$ 103,169
Add Back Non-Cash Items:		
Depreciation Expense	234,134	204,492
Decrease (Increase) in Assets		
Accounts Receivable	(5,105)	10,941
Prepaid Expenses	416	876
Inventory	8,458	(19,937)
Increase (Decrease) in Liabilities		
Accounts Payable	(2,859)	(6,884)
Accrued Liabilities	(10,302)	4,535
Other Liabilities	(1,385)	(813)
Net Cash Provided by Operating Activities	\$ 296,414	\$ 296,379

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Beginning Net Assets	\$ 2,616,038	\$ 2,512,869
Change in Net Assets	<u>73,057</u>	<u>103,169</u>
Ending Net Assets	<u><u>\$ 2,689,095</u></u>	<u><u>\$ 2,616,038</u></u>

See notes to the financial statements.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

On December 24, 1974, the Lorain Metropolitan Housing Authority (LMHA) approved the formation of the Lorain County Leased Housing Corporation, later amended on February 5, 1977 to the Lorain County Elderly Housing Corporation (Corporation), for the following purposes:

- to create a charitable, nonprofit corporation to promote and advance decent, safe, and sanitary housing for elderly persons of low income, moderate income, or the elderly or infirm, or any combination thereof, and to construct or to acquire or to rehabilitate a housing project or projects usable for public housing purposes or other charitable purposes not inconsistent therewith, and to maintain and operate the same;
- to provide charitable, nonprofit housing for elderly persons of low income, pursuant to Ohio and United States Government laws pertaining to same;
- to enable the construction or rehabilitation of such housing with financing and grants allowed by the Housing Authority of the State of Ohio and the Housing and Urban Development law of the United States of America.

Sources of Funding

The Corporation receives tenant rents from its two fully owned buildings (HARR Plaza and International Plaza) and remits these rents to the Trustee. The Trustee earns and receives Housing Assistance Payments (HAP) subsidy from the U.S. Department of Housing and Urban Development (HUD). The Corporation receives its budgeted revenues from the Trustee and makes a final settlement with the Trustee at year-end based on its financial results.

Basis of Accounting and Presentation

The Corporation follows accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

The financial statements present the financial activity of the Corporation and trust fund activity authorized by the Bank of New York Mellon.

Books and records are maintained by LMHA, based on an agreement dated June 1, 1978. Trust funds are controlled and maintained by the Bank of New York Mellon.

The projects are subsidized by the U.S. Department of Housing and Urban Development under Housing Assistance Payments (HAP) contracts for a maximum of 40 years.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Structures and Equipment, Accumulated Depreciation, and Depreciation Expense

Structures and equipment are carried at cost and depreciated over the estimated useful life of the items as follows:

- Buildings (40 years)
- Leasehold improvements (15 years)
- Maintenance equipment (5-10 years)
- Office equipment (5 years)
- Computer equipment (3 years)
- Auto/trucks and other vehicles (5 years)

Depreciation expense is calculated on a straight-line method. The policy of the Corporation is to generally capitalize assets over \$1,000 in value and have a useful life greater than one year.

Accounts Receivable and Credit Policy

Accounts receivable are uncollateralized obligations due from governmental contracts and tenants requiring payment within 30 days from the invoice date. Past due invoices bear no interest.

Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with HUD and other governmental organizations having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at June 30, 2009 and 2008 will be immaterial and no allowance for doubtful accounts is required.

Based on management's assessment of the credit history with tenants having outstanding balances and current relationships with them, it has established an allowance for doubtful accounts of \$116 and \$543 at June 30, 2009 and 2008, respectively.

Management individually reviews all outstanding accounts receivable balances. Accounts are written off when deemed uncollectible. Bad debt expense for the fiscal years ended June 30, 2009 and 2008, was \$6,502 and \$2,263, respectively.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments

Investments for the Corporation may consist of certificates of deposit, U.S. Treasury Bills, and other federal government financial instruments. All investments are held until maturity. Accrued interest receivable is recognized at year-end, based on the interest income earned.

Income Tax Status

The Corporation is tax exempt from Federal and State tax as an instrumentality of a political subdivision created pursuant to the Ohio Revised Code Section 3735.27. No provision for Federal and State income tax has been recorded in the accompanying financial statements.

Cash and Cash Equivalents

The Corporation considers highly liquid investments to be cash and cash equivalents.

Due to/Due from Related Entity

During the course of operations, payables and receivables occur between the Corporation and LMHA. These activities are shown as either a "Due from Related Entity" (asset) or a "Due to Related Entity" (liability).

Use of Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The deposit and investment of the Corporation's monies are governed by the provisions of the Ohio Revised Code. These provisions permit the Corporation, as a component unit of a political subdivision, to invest its monies in certificates of deposit, savings accounts, certain money market accounts, obligations of this state, the State Treasurer's Investment Pool (STAROhio), and obligations of the United States Government or certain agencies thereof. Financial institutions eligible for deposits are limited to banks located in Ohio and domestic savings and loan associates. The Corporation may enter into repurchase agreements as permitted.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)**

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(Continued)

Financial institutions designated as a public depository must give security for the 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, the face value of which is at least 105 percent of the total value of public monies on deposit at the institution.

The Corporation is 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”). The Corporation is also prohibited from investing in reverse repurchase agreements.

Deposits

The carrying amounts of the Corporation’s cash deposits were \$326,227 and \$56,697 at June 30, 2009 and 2008, respectively, with a \$326,227 and \$56,697 bank balance, respectively. Of the bank balance, \$250,000 and \$56,697 were insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2009 and 2008, respectively. The remaining balance as of June 30, 2009 of \$76,227 was uninsured. The uninsured deposit was, however, collateralized with investments in the Corporation’s name held by the financial institution as permitted under Ohio Revised Code Section 135.

Investments

The Corporation’s investments are detailed below and consist of certificates of deposit and a U.S. Treasury Security. The investments are recorded at the current market value.

At June 30, the Corporation’s cash, cash equivalents, and investments consist of the following:

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$ 326,227	\$ 56,697
The Bank of New York Mellon Trust Accounts	837,784	900,306
Certificates of Deposit	<u>1,915,000</u>	<u>2,209,000</u>
	<u>\$ 3,079,011</u>	<u>\$ 3,166,003</u>

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(Continued)

Investments (Continued)

The balances are included in the accompanying June 30 balance sheet under the following captions:

	2009	2008
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 283,830	\$ 15,589
Cash Restricted for Tenant Security Deposits	42,397	41,108
Unrestricted Investments	1,915,000	2,209,000
Temporarily Restricted Investments	837,784	900,306
	<u>\$ 3,079,011</u>	<u>\$ 3,166,003</u>

Temporarily Restricted Investments

In accordance with contractual provisions, portions of the Bank of New York Mellon trust funds are restricted for designated purposes related to the servicing of the debt.

NOTE 3: LAND, STRUCTURES, AND EQUIPMENT

	June 30, 2008	Additions	Deletions	June 30, 2009
Land	\$ 560,553	\$ 80,827	\$ 0	\$ 641,380
Buildings	7,298,376	0	0	7,298,376
Office Equipment	36,332	0	(3,438)	32,894
Maintenance Equipment	31,489	20,914	0	52,403
Vehicle	0	12,964	0	12,964
Construction in Progress	0	1,500	0	1,500
Total	7,926,750	116,205	(3,438)	8,039,517
Less: Accumulated Depreciation	(4,395,503)	(234,134)	3,438	(4,626,199)
Total	<u>\$ 3,531,247</u>	<u>\$ (117,929)</u>	<u>\$ 0</u>	<u>\$ 3,413,318</u>

NOTE 4: BONDS PAYABLE

The Bank of New York Mellon Institutional Trust Services

On March 1, 1993, bonds totaling \$5,875,000 were issued for the Corporation, and Bank One Ohio Trust Company of Columbus, Ohio (Trustee), was selected to service the debt. On November 15, 2003, JP Morgan Institutional Trust Services of Columbus, Ohio, purchased Bank One Ohio Trust Company of Columbus, Ohio, and assumed the rights and obligations to service the debt as Trustee.

The bonds issued are fully registered obligations having a minimum denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. The bonds mature on July 15, 2019. Interest is payable semiannually on January 15th and July 15th. As of June 30, 2009, the outstanding balance is \$3,665,000.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 4: **BONDS PAYABLE** (Continued)

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 HAP Contract Number C-77-086, having an effective date of September 1, 1979, and 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, JP Morgan Institutional Trust Services.

The Trustee is responsible for ensuring that all principal and interest payments are made in accordance with the terms specified in the bond indenture agreement. The Corporation is bound to certain debt covenants that pertain to the issuance and the servicing of the bonds payable.

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

<u>For the Year Ended June 30</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>	<u>Interest Rate(%)</u>	<u>Yield %</u>
2010	\$ 225,000	\$ 226,472	\$ 451,472	6.375%	6.454%
2011	240,000	211,650	451,650	6.375%	6.454%
2012	255,000	195,872	450,872	6.375%	6.454%
2013	270,000	179,138	449,138	6.375%	6.454%
2014	285,000	161,447	446,447	6.375%	6.454%
2015-2019	1,740,000	478,125	2,218,125	6.375%	6.454%
2020	650,000	41,438	691,438	6.375%	6.454%
Total	<u>\$ 3,665,000</u>	<u>\$ 1,494,142</u>	<u>\$ 5,159,142</u>		

NOTE 5: **RELATED PARTY TRANSACTIONS**

All three Board members of the Corporation are also members of the Board of Commissioners of the LMHA. The Corporation is a component unit of LMHA and the financial results and financial activity of the Corporation are included as part of the financial statements of LMHA.

LMHA acts as managing agent for the Corporation and performs all financial and operating functions for the Corporation except for those administrative duties performed by the Trustee. The Corporation pays LMHA a managing fee for the services rendered, which totaled \$13,681 and \$13,902 for the fiscal years ended June 30, 2009 and 2008, respectively. Various operating expenses are allocated by LMHA to the component unit based on a unit allocation method. Included in the allocation are payroll and related costs such as compensated absences and pension costs.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
(CONTINUED)

NOTE 6: **CONCENTRATIONS**

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

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
ANNUAL AUDITORS' CERTIFICATE
DEBT SERVICE COVERAGE RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Project Revenues

Tenants' Rent and Other Charges	\$ 544,572	
HUD Operating Subsidy and Capital Grants	848,986	
Investment Income	<u>79,836</u>	
Total Operating Revenues		\$ 1,473,394

Project Expenses

Operating Salaries (a)	239,681	
Maintenance Salaries	50,558	
Employee Benefits	90,303	
Office and Administrative	42,289	
Utilities	229,298	
Property Taxes and Payment in Lieu of Taxes	28,062	
Insurance	37,570	
Professional and Consulting Fees	5,180	
Maintenance - Materials, Supplies, and Contracts (a)	176,878	
Other Expenses	<u>7,520</u>	
Total Operating Expenses		<u>907,339</u>
Operating Income		566,055

Less:

Trustee Fees	15,934	
Replacement Reserve Account Deposits	41,044	
Management Fee	<u>13,681</u>	
		<u>70,659</u>

Net Operating Income \$ 495,396

Debt Service Reserve Account Balance	\$ 268,678
Less: Debt Service Reserve Minimum Reserve Requirement	<u>(268,678)</u>
Excess (Deficit) Debt Service Reserve Funds	<u>\$ 0</u>

Maximum Annual Debt Service \$ 461,619

Debt Service Coverage Ratio 107.32%

(a) Not including accrued compensated absence (\$4,953).

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
ANNUAL AUDITORS' CERTIFICATE
ASSET/LIABILITY PARITY TEST
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

To be calculated as of June 30th of each year, the asset/liability parity test is calculated as the sum of: **(i)** the outstanding principal balance of the Bonds; **(ii)** the amounts in the Debt Service Reserve Fund and the Replacement Reserve Account; and **(iii)** the minimum ending balance in the Current Revenue Account (not to exceed \$21,000) divided by the outstanding principal balance of the Bonds.

Outstanding Principal Balance	\$ 3,665,000
Debt Service Reserve Fund Balance	268,678
Replacement Reserve Account Balance	194,150
Current Reserve Account (Maximum \$21,000)	<u>21,000</u>
Total	<u><u>\$ 4,148,828</u></u>
Outstanding Principal Balance	<u>\$ 3,665,000</u>
Asset/Liability Parity Percent	<u><u>113.20%</u></u>

EXHIBIT B
LORAIN COUNTY ELDERLY HOUSING CORPORATION
SUMMARY OF BANK OF NEW YORK MELLON TRUST FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2009

	Current Revenue Fund	Cumm. Revenue Account	Operating Expense Account	Replacement Reserve Fund	Insurance & Taxes Fund	Admin Account	Management Account	Interest Account	Principal Account	Debt Service Revenue	Cumm Revenue Sub-Fund	Combined Account
Balance at June 30, 2008	\$ 17,426	\$ 38,884	\$ 0	\$ 202,190	\$ 31,565	\$ 17,811	\$ 0	\$ 115,303	\$ 208,449	\$ 268,678	\$ 0	\$ 900,306
Receipts												
Housing assistance payments	848,986	0	0	0	0	0	0	0	0	0	0	848,986
Rental income	519,512	0	0	0	0	0	0	0	0	0	0	519,512
Interest income	234	299	0	1,401	210	89	0	370	561	1,940	75	5,177
Transfer from:												
Revenue fund	55	17,077	811,524	41,044	62,567	5,596	13,681	222,386	207,801	0	(13,879)	1,367,853
Interest account	202	0	0	0	0	0	0	0	0	0	0	202
Principal account	316	0	0	0	0	0	0	0	0	0	0	316
Debt service fund	1,112	0	0	0	0	0	0	0	0	0	0	1,112
Taxes and insurance	116	0	0	0	0	0	0	0	0	0	0	116
Cumulative revenue fund	1,257	0	0	0	0	0	0	0	0	0	0	1,257
Cumulative revenue subaccount	50	0	0	0	0	0	0	0	0	0	17,077	17,127
Total receipts	1,371,840	17,376	811,524	42,445	62,777	5,685	13,681	222,756	208,362	1,940	3,273	2,761,658
Disbursements												
Transfer to:												
LMHA	0	37,807	811,524	49,892	46,119	0	0	0	0	0	0	945,342
Current Revenue Fund	0	180	0	0	116	55	0	202	316	1,112	50	2,030
Operating expense account	811,524	0	0	0	0	0	0	0	0	0	0	811,524
Cumulative revenue account	17,077	0	0	0	0	0	0	0	0	0	0	17,077
Replacement reserve account	41,044	0	0	0	0	0	0	0	0	0	0	41,044
Tax and insurance fund	62,567	0	0	0	0	0	0	0	0	0	0	62,567
Revenue Fund	5,596	0	0	0	0	0	0	0	0	0	0	5,596
Management account	13,681	0	0	0	0	0	0	0	0	0	0	13,681
Principal account	207,801	0	0	0	0	0	0	0	0	0	0	207,801
Interest account	222,386	0	0	0	0	0	0	0	0	0	0	222,386
Cumulative revenue subaccount	(13,879)	18,154	0	0	0	0	0	0	0	0	0	4,276
Principal and interest payments	0	0	0	0	0	0	0	240,338	210,000	0	0	450,338
Insurance and tax expense	0	0	0	0	10,543	0	0	0	0	0	0	10,543
Trustee fees	107	119	0	592	94	12,256	0	168	245	828	25	14,434
Standard and Poor Fees	0	0	0	0	0	1,500	0	0	0	0	0	1,500
Management fees	0	0	0	0	0	0	13,681	0	0	0	0	13,681
Total disbursements	1,367,904	56,260	811,524	50,484	56,872	13,811	13,681	240,708	210,561	1,940	75	2,823,820
Balance at June 30, 2009	\$ 21,362	\$ 0	\$ 0	\$ 194,151	\$ 37,470	\$ 9,685	\$ 0	\$ 97,351	\$ 206,250	\$ 268,678	\$ 3,198	\$ 838,144
Investment balance	\$ 17,426	\$ 38,884	\$ 0	\$ 202,190	\$ 31,565	\$ 17,811	\$ 0	\$ 115,303	\$ 208,449	\$ 268,678	\$ 0	\$ 900,306
Investments purchase	1,178,026	17,077	0	41,853	60,089	5,596	0	202,916	207,801	0	71,253	1,784,612
Investments sold	1,174,452	55,961	0	49,892	54,185	13,722	0	220,867	210,000	0	68,055	1,847,134
Balance at June 30, 2009	\$ 21,000	\$ 0	\$ 0	\$ 194,151	\$ 37,469	\$ 9,685	\$ 0	\$ 97,352	\$ 206,250	\$ 268,678	\$ 3,198	\$ 837,784

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	
<u>U.S. Department of Housing and Urban Development</u> Section 8 Housing	14.871	N/A	<u>\$ 848,986</u>

See Notes to the Schedule of Expenditures of Federal Awards.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lorain County Elderly Housing Corporation and is presented 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 basic financial statements.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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(216) 475 - 6136

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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**

To the Board of Trustees of
Lorain County Elderly Housing Corporation
Lorain, Ohio

We have audited the financial statements of the Lorain County Elderly Housing Corporation, Lorain, Ohio (the Corporation) (a nonprofit organization) as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated November 9, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lorain County Elderly Housing Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lorain County Elderly Housing Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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 Corporation's internal control.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lorain County Elderly Housing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 9, 2009

JAMES G. ZUPKA, C.P.A., INC.

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

To the Board of Trustees of
Lorain County Elderly Housing Corporation
Lorain, Ohio

Compliance

We have audited the compliance of the Lorain County Elderly Housing Corporation, Lorain, Ohio, (the Corporation) (a nonprofit organization) 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 its major federal program for the fiscal year ended June 30, 2009. The Lorain County Elderly Housing Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Lorain County Elderly Housing Corporation's management. Our responsibility is to express an opinion on the Lorain County Elderly Housing Corporation'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; and 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 the Lorain County Elderly Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Lorain County Elderly Housing Corporation's compliance with those requirements.

In our opinion, the Lorain County Elderly Housing Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

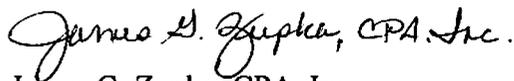
The management of the Lorain County Elderly Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lorain County Elderly Housing Corporation'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lorain County Elderly Housing Corporation's internal control over compliance.

A control deficiency in an entity'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 entity'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 entity'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 misstatement with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 9, 2009

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Section 8 Housing - CFDA# 14.871	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: >all others
2009(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2008.



Mary Taylor, CPA
Auditor of State

LORAIN METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 5, 2010**