

LORAIN METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

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



Mary Taylor, CPA

Auditor of State

Board of Directors
Lorain Metropolitan Housing Authority and
Lorain County Elderly Housing Corporation
(a component unit of Lorain MHA)
1600 Kansas Avenue
Lorain, Ohio 44052

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority and Lorain County Elderly Housing Corporation (a component unit of Lorain MHA), Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 and Lorain County Elderly Housing Corporation (a component unit of Lorain MHA) is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 8, 2010

This Page is Intentionally Left Blank.

LORAIN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Statement of Net Assets	10-11
Statement of Revenues, Expenses, and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14-28
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Completed Grants/Certificates	31
Schedule of Units Under LMHA Management	32
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and On Internal Control Over compliance in Accordance with OMB Circular A-133	35-36
Schedule of Findings and Questioned Costs	37
Status of Prior Year Findings	38

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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 fiscal years ended June 30, 2010 and June 30, 2009, 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, 2010 and June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal 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 September 16, 2010, 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 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lorain Metropolitan Housing Authority, Ohio's financial statements as a whole. 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. 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 also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized 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

September 16, 2010

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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 increased by \$992,644, or 2.6 percent, during 2010. Since the Authority engages in only business-type activities, the increase is all in the category of business-type net assets. Net assets were \$38,704,850 and \$37,712,206 for 2010 and 2009, respectively.
- The business-type activities revenue for the primary government increased by \$5,060,022, or 18.7 percent, during 2010 and were \$32,110,399 and \$27,050,377 for 2010 and 2009, respectively.
- The total expenses, for the primary government, before special items, of all Authority programs increased by \$1,686,826, or 5.7 percent. Total expenses, before special items, were \$31,108,109 and \$29,421,283 for 2010 and 2009, respectively.
- The component unit's net assets decreased by \$27,391, or 1.0 percent, during 2010. Since the Authority engages in only business-type activities, the increase is all in the category of business-type net assets. Net assets were \$2,661,704 and \$2,689,095 for 2010 and 2009, respectively.
- The business-type activities' operating revenue for the component unit decreased by \$21,278, or 1.5 percent, during 2010 and were \$1,372,280 and \$1,393,558 for 2010 and 2009, respectively.
- The total expenses for the component unit, before special items, increased by \$33,255, or 2.3 percent. Total expenses, before special items, were \$1,433,592 and \$1,400,337 for 2010 and 2009, 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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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, 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
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(Unaudited)**

Capital Fund program (CFP) - This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

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 501c(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

	2010	2009	2008
<u>Assets</u>			
Current and Other Assets	\$ 11,606,694	\$ 11,679,322	\$ 12,101,436
Capital Assets	<u>28,778,462</u>	<u>27,130,998</u>	<u>29,037,612</u>
Total Assets	<u>40,385,156</u>	<u>38,810,320</u>	<u>41,139,048</u>
<u>Liabilities</u>			
Current Liabilities	1,366,108	833,755	975,574
Long-Term Liabilities	<u>314,198</u>	<u>264,359</u>	<u>338,886</u>
Total Liabilities	<u>1,680,306</u>	<u>1,098,114</u>	<u>1,314,460</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	28,778,462	27,130,998	29,037,612
Restricted	949,701	2,164,534	3,873,351
Unrestricted	<u>8,976,687</u>	<u>8,416,674</u>	<u>6,913,625</u>
Total Net Assets	<u>\$ 38,704,850</u>	<u>\$ 37,712,206</u>	<u>\$39,824,588</u>

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(Unaudited)**

Major Factors Affecting the Statement of Net Assets

Current assets were decreased by \$72,628, while current liabilities were increased by \$532,353. 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 increased by \$1,647,464 from \$27,130,998 to \$28,778,462. 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, 2009	<u>\$ 8,416,674</u>
Results of Operations	992,644
Adjustments:	
Depreciation (1)	<u>2,986,916</u>
Adjusted Results from Operations	3,979,560
Net Change in Restricted Assets (3)	(1,214,833)
Net Change in Capital Assets (2)	<u>(2,204,714)</u>
Unrestricted Net Assets at June 30, 2010	<u>\$ 8,976,687</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 2010.

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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(Unaudited)**

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Revenues</u>			
Tenant Revenue - Rents and Other	\$ 1,989,177	\$ 1,799,255	\$ 1,791,353
Operating Subsidies and Grants	25,542,129	23,847,885	25,152,978
Capital Grants	4,170,988	647,402	1,557,992
Investment Income	88,556	298,684	449,967
Other Revenues	<u>319,549</u>	<u>457,151</u>	<u>234,694</u>
Total Revenues	<u>32,110,399</u>	<u>27,050,377</u>	<u>29,186,984</u>
<u>Expenses</u>			
Administrative	4,600,847	4,239,396	4,048,558
Tenant Services	231,368	174,792	161,684
Utilities	1,406,183	1,569,639	1,530,225
Maintenance	3,560,051	2,693,724	2,598,900
Protective Services	318,995	362,896	361,153
General	996,299	733,306	759,125
Housing Assistance Payments	17,007,450	16,735,089	15,409,434
Depreciation	<u>2,986,916</u>	<u>2,912,441</u>	<u>2,893,296</u>
Total Expenses before Special Item	31,108,109	29,421,283	27,762,375
Special Item	<u>9,646</u>	<u>(258,524)</u>	<u>0</u>
Total Expenses after Special Item	<u>31,117,755</u>	<u>29,162,759</u>	<u>27,762,375</u>
Net Increase/(Decrease)	<u>\$ 992,644</u>	<u>\$ (2,112,382)</u>	<u>\$ 1,424,609</u>

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

Total revenues increased by \$5,060,022. This net increase is primarily a result of the additional funds provided by the Capital Fund American Recovery and Reinvestment Act of 2009. Other contributing factors included 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 special items increased \$1,686,826. This change was primarily due to the increase in material expense created by the procurement of appliances throughout the public housing units as part of the Capital Fund American Recovery and Reinvestment Act of 2009. Other contributing factors including increasing Housing Choice Voucher Housing Assistance Payment expenses created by rising average HAP payments and increases in maintenance items.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$28,778,462 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions, and depreciation) of \$1,647,464 from the end of last year.

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

	2010	2009	2008
Land	\$ 4,693,928	\$ 4,688,955	\$ 4,673,858
Buildings	69,602,655	65,687,192	64,943,036
Office Equipment	992,430	859,776	823,494
Maintenance Equipment/Vehicles	613,818	606,197	905,196
Construction in Progress	976,054	517,162	401,618
Total	76,878,885	72,359,282	71,747,202
Less Accumulated Depreciation	(48,100,423)	(45,228,284)	(42,709,590)
Total Capital Assets	<u>\$ 28,778,462</u>	<u>\$27,130,998</u>	<u>\$29,037,612</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, 2010

Beginning Balance - July 1, 2009	\$27,130,998
Additions	4,636,045
Depreciation	(2,988,583)
Ending Balance - June 30, 2010	<u>\$28,778,460</u>

This year's major additions are:

Capital Improvements Programs	\$ 4,172,180
Equipment Purchases	463,865
Total Additions	<u>\$ 4,636,045</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$3,440,000 in debt (bonds) outstanding compared to \$3,665,000 last year, a \$225,000 decrease (debt retirement). No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	2010	2009	2008
Refinance of Construction and Acquisition	\$ 3,440,000	\$ 3,665,000	\$ 3,875,000
Less: Current Portion	(240,000)	(225,000)	(210,000)
Total Outstanding Debt	\$ 3,200,000	\$ 3,440,000	\$ 3,665,000

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, 2010 AND JUNE 30, 2009

	<u>June 30, 2010</u>			<u>June 30, 2009</u>		
	<u>Primary</u>	<u>Component</u>		<u>Primary</u>	<u>Component</u>	
	<u>Government</u>	<u>Unit</u>		<u>Government</u>	<u>Unit</u>	
	<u>Lorain</u>	<u>Lorain County</u>		<u>Lorain</u>	<u>Lorain County</u>	
<u>Metropolitan</u>	<u>Elderly</u>	<u>Total</u>	<u>Metropolitan</u>	<u>Elderly</u>	<u>Total</u>	
<u>Housing</u>	<u>Housing</u>	<u>(Memorandum</u>	<u>Housing</u>	<u>Housing</u>	<u>(Memorandum</u>	
<u>Authority</u>	<u>Corporation</u>	<u>Only)</u>	<u>Authority</u>	<u>Corporation</u>	<u>Only)</u>	
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and Equivalents:						
Cash and Cash Equivalents	\$ 1,545,398	\$ 457,278	\$ 2,002,676	\$ 2,206,050	\$ 283,830	\$ 2,489,880
Cash - Restricted	1,033,104	0	1,033,104	2,223,398	0	2,223,398
Cash - Tenant Security Deposits	<u>148,920</u>	<u>43,978</u>	<u>192,898</u>	<u>145,581</u>	<u>42,397</u>	<u>187,978</u>
Total Cash and Cash Equivalents	<u>2,727,422</u>	<u>501,256</u>	<u>3,228,678</u>	<u>4,575,029</u>	<u>326,227</u>	<u>4,901,256</u>
Accounts and Notes Receivable:						
HUD - Other Projects	550,727	0	550,727	88,474	0	88,474
Miscellaneous	0	0	0	8,841	0	8,841
Tenants, Net	83,023	6,202	89,225	75,278	6,438	81,716
Fraud Recovery Receivable, Net	92,180	4,004	96,184	95,521	4,874	100,395
Accrued Interest Receivable	<u>33,000</u>	<u>7,274</u>	<u>40,274</u>	<u>103,082</u>	<u>35,980</u>	<u>139,062</u>
Total Accounts and Notes Receivable	<u>758,930</u>	<u>17,480</u>	<u>776,410</u>	<u>371,196</u>	<u>47,292</u>	<u>418,488</u>
Other Current Assets:						
Investments - Unrestricted	7,800,000	1,700,000	9,500,000	6,499,000	1,915,000	8,414,000
Investments - Restricted	0	842,478	842,478	0	837,784	837,784
Inventories, Net	199,285	12,389	211,674	204,416	11,479	215,895
Prepaid Expenses and Other Assets	27,945	23,099	51,044	29,681	17,360	47,041
Due from Primary Government	<u>93,112</u>	<u>0</u>	<u>93,112</u>	<u>0</u>	<u>8,486</u>	<u>8,486</u>
Total Other Current Assets	<u>8,120,342</u>	<u>2,577,966</u>	<u>10,698,308</u>	<u>6,733,097</u>	<u>2,790,109</u>	<u>9,523,206</u>
Total Current Assets	<u>11,606,694</u>	<u>3,096,702</u>	<u>14,703,396</u>	<u>11,679,322</u>	<u>3,163,628</u>	<u>14,842,950</u>
<u>Non-Current Assets</u>						
Capital Assets						
Non-depreciable Capital Assets	5,669,982	675,390	6,345,372	5,206,117	642,880	5,848,997
Depreciable Capital Assets, Net	<u>23,108,480</u>	<u>2,643,208</u>	<u>25,751,688</u>	<u>21,924,881</u>	<u>2,770,438</u>	<u>24,695,319</u>
Total Capital Assets	<u>28,778,462</u>	<u>3,318,598</u>	<u>32,097,060</u>	<u>27,130,998</u>	<u>3,413,318</u>	<u>30,544,316</u>
Total Non-Current Assets	<u>28,778,462</u>	<u>3,318,598</u>	<u>32,097,060</u>	<u>27,130,998</u>	<u>3,413,318</u>	<u>30,544,316</u>
TOTAL ASSETS	<u>\$40,385,156</u>	<u>\$ 6,415,300</u>	<u>\$46,800,456</u>	<u>\$38,810,320</u>	<u>\$ 6,576,946</u>	<u>\$45,387,266</u>

See notes to the financial statements

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010 AND JUNE 30, 2009
(CONTINUED)

	June 30, 2010			June 30, 2009		
	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	\$ 542,271	\$ 7,993	\$ 550,264	\$ 172,947	\$ 8,298	\$ 181,245
Accrued Wages and Payroll Taxes	159,563	10,325	169,888	140,588	10,000	150,588
Accrued Compensated Absences	270,247	15,254	285,501	258,484	15,061	273,545
Accrued Interest Payable	0	100,513	100,513	0	107,087	107,087
Accounts Payable - HUD PHA Programs	30	0	30	0	0	0
Accounts Payable - PILOT and Other	16,457	27,480	43,937	0	28,062	28,062
Tenant Security Deposits	143,648	42,794	186,442	141,163	41,686	182,849
Current Portion of Long-Term Debt	0	240,000	240,000	0	225,000	225,000
Other Current Liabilities	233,892	7,200	241,092	112,086	3,218	115,304
Interprogram Due to Other Entities	0	93,112	93,112	8,487	0	8,487
Total Current Liabilities	<u>1,366,108</u>	<u>544,671</u>	<u>1,910,779</u>	<u>833,755</u>	<u>438,412</u>	<u>1,272,167</u>
Non-Current Liabilities						
Long-Term Debt, Net of Current Portion	0	3,200,000	3,200,000	0	3,440,000	3,440,000
Accrued Compensated Absences	231,979	8,925	240,904	204,643	9,439	214,082
Non-Current Liabilities - FSS Escrow and Others	82,219	0	82,219	59,716	0	59,716
Total Non-Current Liabilities	<u>314,198</u>	<u>3,208,925</u>	<u>3,523,123</u>	<u>264,359</u>	<u>3,449,439</u>	<u>3,713,798</u>
TOTAL LIABILITIES	<u>1,680,306</u>	<u>3,753,596</u>	<u>5,433,902</u>	<u>1,098,114</u>	<u>3,887,851</u>	<u>4,985,965</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	28,778,462	641,795	29,420,257	27,130,998	600,814	27,731,812
Restricted Net Assets	949,701	842,478	1,792,179	2,164,534	837,784	3,002,318
Unrestricted Net Assets	8,976,687	1,177,431	10,154,118	8,416,674	1,250,497	9,667,171
TOTAL NET ASSETS	<u>38,704,850</u>	<u>2,661,704</u>	<u>41,366,554</u>	<u>37,712,206</u>	<u>2,689,095</u>	<u>40,401,301</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$40,385,156</u>	<u>\$ 6,415,300</u>	<u>\$46,800,456</u>	<u>\$38,810,320</u>	<u>\$ 6,576,946</u>	<u>\$45,387,266</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	June 30, 2010			June 30, 2009		
	Primary	Component		Primary	Component	
	Government	Unit		Government	Unit	
	Lorain	Lorain County		Lorain	Lorain County	
	Metropolitan	Elderly	Total	Metropolitan	Elderly	Total
	Housing	Housing	(Memorandum	Housing	Housing	(Memorandum
	Authority	Corporation	Only)	Authority	Corporation	Only)
Operating Revenue						
Net Tenant Rental Revenue	\$ 1,743,646	\$ 534,110	\$ 2,277,756	\$ 1,593,385	\$ 524,475	\$ 2,117,860
Tenant Revenue - Other	245,531	5,510	251,041	205,870	8,027	213,897
	<u>1,989,177</u>	<u>539,620</u>	<u>2,528,797</u>	<u>1,799,255</u>	<u>532,502</u>	<u>2,331,757</u>
HUD PHA Operating Grants	25,542,129	817,201	26,359,330	23,847,885	848,986	24,696,871
Fraud Recovery Receivable	144,471	0	144,471	257,386	0	257,386
Other Revenue	175,078	15,459	190,537	160,207	12,070	172,277
Total Operating Revenues	<u>27,850,855</u>	<u>1,372,280</u>	<u>29,223,135</u>	<u>26,064,733</u>	<u>1,393,558</u>	<u>27,458,291</u>
Operating Expenses						
Administrative	4,600,847	376,099	4,976,946	4,239,396	379,540	4,618,936
Tenant Services	231,368	0	231,368	174,792	0	174,792
Utilities	1,406,183	246,172	1,652,355	1,569,639	229,298	1,798,937
Ordinary Maintenance and Operation	3,560,051	257,706	3,817,757	2,693,724	246,783	2,940,507
Protective Services	318,995	2,924	321,919	362,896	3,228	366,124
Insurance Premiums	338,745	36,666	375,411	357,654	37,570	395,224
Other General Expenses	19,015	1,096	20,111	9,926	1,018	10,944
Payments in Lieu of Taxes	16,458	27,480	43,938	0	28,062	28,062
Bad Debt	179,443	7,506	186,949	159,180	6,502	165,682
Severance Expense	7,676	803	8,479	7,116	0	7,116
Extraordinary Maintenance	348,611	6,205	354,816	173,301	0	173,301
Casualty Losses - Non-Capitalized	86,351	0	86,351	26,129	0	26,129
Housing Assistance Payments	17,007,450	0	17,007,450	16,735,089	0	16,735,089
Depreciation Expense	2,986,916	251,037	3,237,953	2,912,441	234,134	3,146,575
Total Operating Expenses	<u>31,108,109</u>	<u>1,213,694</u>	<u>32,321,803</u>	<u>29,421,283</u>	<u>1,166,135</u>	<u>30,587,418</u>
Operating Income	<u>(3,257,254)</u>	<u>158,586</u>	<u>(3,098,668)</u>	<u>(3,356,550)</u>	<u>227,423</u>	<u>(3,129,127)</u>
Non-Operating Revenues (Expenses)						
Investment Income - Unrestricted	86,324	24,099	110,423	249,045	74,659	323,704
Investment Income - Restricted	2,232	176	2,408	49,639	5,177	54,816
Interest Expense	0	(219,898)	(219,898)	0	(234,202)	(234,202)
Gain (Loss) on Capital Assets	0	0	0	39,558	0	39,558
Total Non-Operating Revenues (Expenses)	<u>88,556</u>	<u>(195,623)</u>	<u>(107,067)</u>	<u>338,242</u>	<u>(154,366)</u>	<u>183,876</u>
Income (Loss) Before Capital						
Contributions and Special Item	(3,168,698)	(37,037)	(3,205,735)	(3,018,308)	73,057	(2,945,251)
Capital Contributions	4,170,988	0	4,170,988	647,402	0	647,402
Special Item	(9,646)	9,646	0	258,524	0	258,524
Change in Net Assets	992,644	(27,391)	965,253	(2,112,382)	73,057	(2,039,325)
Total Net Assets - Beginning	<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 Net Assets - Ending	<u>\$38,704,850</u>	<u>\$ 2,661,704</u>	<u>\$41,366,554</u>	<u>\$37,712,206</u>	<u>\$ 2,689,095</u>	<u>\$40,401,301</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

	June 30, 2010			June 30, 2009		
	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	\$ 1,981,432	\$ 539,856	\$ 2,521,288	\$ 1,809,486	\$ 533,476	\$ 2,342,962
Other Revenue Received	334,216	17,437	351,653	416,337	10,505	426,842
General and Administrative Expenses Paid	(27,526,133)	(966,207)	(28,492,340)	(26,670,571)	(934,845)	(27,605,416)
Net Cash Provided (Used) by Operating Activities	(25,210,485)	(408,914)	(25,619,399)	(24,444,748)	(390,864)	(24,835,612)
Cash Flows from Non-Capital Financing Activities						
Government Operating Grants Received	25,539,193	817,201	26,356,394	23,843,206	848,986	24,692,192
Special Items	(9,646)	9,646	0	258,524	0	258,524
Increases/Decreases in Due To/ Due From Related Activity	(101,598)	101,598	0	57,201	(57,201)	0
Net Cash Provided (Used) by Non-Capital Financing Activities	25,427,949	928,445	26,356,394	24,158,931	791,785	24,950,716
Cash Flows from Capital and Related Financing Activities						
Proceeds from Sale of Capital Assets	0	0	0	48,845	0	48,845
Government Capital Grants Received	3,711,671	0	3,711,671	978,292	0	978,292
Purchases of Land, Structures, and Equipment	(4,634,380)	(156,317)	(4,790,697)	(1,015,116)	(116,205)	(1,131,321)
Payments to Retire Long-Term Debt	0	(225,000)	(225,000)	0	(210,000)	(210,000)
Interest Paid	0	(226,472)	(226,472)	0	(240,338)	(240,338)
Net Cash Provided (Used) by Capital and Related Financing Activities	(922,709)	(607,789)	(1,530,498)	12,021	(566,543)	(554,522)
Cash Flows from Investing Activities						
Purchase of Investments	(9,550,000)	(3,525,014)	(13,075,014)	(14,204,000)	(5,264,612)	(19,468,612)
Proceeds from Sale of Investments	8,249,000	3,735,320	11,984,320	16,581,000	5,621,134	22,202,134
Interest Received	158,638	52,981	211,619	344,122	78,630	422,752
Net Cash Provided (Used) by Investing Activities	(1,142,362)	263,287	(879,075)	2,721,122	435,152	3,156,274
Increase (Decrease) in Cash and Cash Equivalents		(1,847,607)	175,029	(1,672,578)	2,447,326	269,276,856
Cash and Cash Equivalents - Beginning of Year	4,575,029	326,227	4,901,256	2,127,703	56,697	2,184,400
Cash and Cash Equivalents - End of Year	\$ 2,727,422	\$ 501,256	\$ 3,228,678	\$ 4,575,029	\$ 326,227	\$ 4,901,256
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	\$ (3,257,254)	\$ 158,586	\$ (3,098,668)	\$ (3,356,550)	\$ 227,423	\$ (3,129,127)
Adjustments to Change in Net Assets:						
HUD PHA Operating Grants	(25,542,129)	(817,201)	(26,359,330)	(23,847,885)	(848,986)	(24,696,871)
Add Back Non-Cash Items:						
Depreciation Expense	2,986,916	251,037	3,237,953	2,912,443	234,134	3,146,577
Decrease (Increase) in Operating Assets:						
Accounts Receivable	4,436	1,106	5,542	64,187	(3,900)	60,287
Prepaid Expenses	1,736	(5,739)	(4,003)	2,198	417	2,615
Inventory	5,131	(910)	4,221	5,689	8,458	14,147
Increase (Decrease) in Operating Liabilities:						
Accounts Payable	369,354	(305)	369,049	(197,186)	(2,859)	(200,045)
Accrued Liabilities	204,868	5,094	209,962	(27,647)	(4,166)	(31,813)
Other Liabilities	16,457	(582)	15,875	0	(1,385)	(1,385)
Total Adjustments	(21,953,231)	(567,500)	(22,520,731)	(21,088,201)	(618,287)	(21,706,488)
Net Cash Used by Operating Activities	\$(25,210,485)	\$ (408,914)	\$(25,619,399)	\$(24,444,751)	\$(390,864)	\$(24,835,615)

See notes to the financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(CONTINUED)

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

Cash and Investments - Restricted

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

Restricted cash and 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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(CONTINUED)

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

Compensated Absences (Continued)

Sick leave balances are subject to payment to nonunion employees 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 (on REAC) 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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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 \$3,228,678 and \$4,901,256 at June 30, 2010 and 2009, respectively, and the bank balance was \$3,434,653 and \$5,099,529 at June 30, 2010 and 2009, 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 \$9,500,000 and \$8,414,000 at June 30, 2010 and 2009, 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 \$842,478 and \$837,784 at June 30, 2010 and 2009, 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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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, 2010		
	Primary Government	Component Unit	Total
<u>Cash and Investments</u>			
Unrestricted Cash and Cash Equivalents	\$ 1,545,398	\$ 457,278	\$ 2,002,676
Restricted Cash and Cash Equivalents - Housing Choice Voucher Housing Assistance Payments	1,033,104	0	1,033,104
Unrestricted Investments	7,800,000	1,700,000	9,500,000
Restricted Cash and Investment - Tenant Security Deposits	148,920	43,978	192,898
Restricted Investments - Trustee and Endowment Fund	0	842,478	842,478
Total Cash and Investments	\$ 10,527,422	\$ 3,043,734	\$ 13,571,156
Carrying Amount of Deposits	\$ 2,727,422	\$ 501,256	\$ 3,228,678
Carrying Amount of Investments	7,800,000	2,542,478	10,342,478
Total	\$ 10,527,422	\$ 3,043,734	\$ 13,571,156
	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 Investments - Tenant Security Deposits and FSS Escrow	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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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,	
	2010	2009
<u>Business Activities</u>		
Other Non-HUD Reserves	\$ 4,020	\$ 4,014
 <u>Low-Rent Public Housing</u>		
Tenant Security Deposits	144,900	141,567
Family Self-Sufficiency Escrow Deposits	26,840	25,423
 <u>Section 8 Program</u>		
Housing Assistance Payments	949,701	2,164,534
Family Self-Sufficiency Escrow Deposits	56,563	33,441
Total Lorain Metropolitan Housing Authority	\$ 1,182,024	\$ 2,368,979

Lorain County Elderly Housing Corporation

	June 30,	
	2010	2009
Tenant Security Deposits	\$ 43,978	\$ 42,397
Trustee Reserves as Follows:		
Current Revenue Fund	21,000	21,000
Cumulative Reserve Fund	0	3,198
Replacement Reserve Fund	203,789	194,150
Tax and Insurance Fund	28,091	37,470
Management Account	9,545	9,686
Interest Account	91,375	97,352
Principal Account	220,000	206,250
Debt Service Fund	268,678	268,678
Total Lorain County Elderly Housing Corporation	\$ 886,456	\$ 880,181

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

Lorain Metropolitan Housing Authority

	Balance <u>July 1, 2009</u>	Additions	Deletions	Balance <u>June 30, 2010</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,688,955	\$ 4,973	\$ 0	\$ 4,693,928
Construction in Progress	<u>517,162</u>	<u>458,892</u>	<u>0</u>	<u>976,054</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>5,206,117</u>	<u>463,865</u>	<u>0</u>	<u>5,669,982</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	65,687,192	3,915,463	0	69,602,655
Office Equipment	859,776	215,580	(82,926)	992,430
Maintenance Equipment	252,226	9,576	0	261,802
Vehicles	<u>353,971</u>	<u>31,562</u>	<u>(33,517)</u>	<u>352,016</u>
<i>Total Capital Assets Being Depreciated</i>	<u>67,153,165</u>	<u>4,172,181</u>	<u>(116,443)</u>	<u>71,208,903</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(44,030,809)	(2,880,574)	0	(46,911,383)
Office Equipment	(736,552)	(61,255)	82,926	(714,881)
Maintenance Equipment	(208,659)	(12,782)	0	(221,441)
Vehicles	<u>(252,264)</u>	<u>(33,971)</u>	<u>33,517</u>	<u>(252,718)</u>
<i>Total Accumulated Depreciation</i>	<u>(45,228,284)</u>	<u>(2,988,582)</u>	<u>116,443</u>	<u>(48,100,423)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>21,924,881</u>	<u>1,183,599</u>	<u>0</u>	<u>23,108,480</u>
Capital Assets, Net	<u>\$ 27,130,998</u>	<u>\$ 1,647,464</u>	<u>\$ 0</u>	<u>\$ 28,778,462</u>

Lorain County Elderly Housing Corporation

	Balance <u>July 1, 2009</u>	Additions	Deletions	Balance <u>June 30, 2010</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 641,380	\$ 0	\$ 0	\$ 641,380
Construction in Progress	<u>1,500</u>	<u>32,510</u>	<u>0</u>	<u>34,010</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>642,880</u>	<u>32,510</u>	<u>0</u>	<u>675,390</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	7,298,376	6,655	0	7,305,031
Office Equipment	32,894	11,055	(4,712)	39,237
Maintenance Equipment	52,403	105,630	0	158,033
Vehicles	<u>12,964</u>	<u>0</u>	<u>0</u>	<u>12,964</u>
<i>Total Capital Assets Being Depreciated</i>	<u>7,396,637</u>	<u>123,340</u>	<u>(4,712)</u>	<u>7,515,265</u>
<i>Less Accumulated Depreciated</i>				
Buildings	(4,581,427)	(224,957)	0	(4,806,384)
Office Equipment	(28,858)	(2,685)	4,712	(26,831)
Maintenance Equipment	(12,673)	(17,095)	0	(29,768)
Vehicles	<u>(3,241)</u>	<u>(5,833)</u>	<u>0</u>	<u>(9,074)</u>
<i>Total Accumulated Depreciation</i>	<u>(4,626,199)</u>	<u>(250,570)</u>	<u>4,712</u>	<u>(4,872,057)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,770,438</u>	<u>(127,230)</u>	<u>0</u>	<u>2,643,208</u>
Capital Assets, Net	<u>\$ 3,413,318</u>	<u>\$ (94,720)</u>	<u>\$ 0</u>	<u>\$ 3,318,598</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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>
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	305,000	142,641	447,641	6.375%	6.454%
2016-2020	<u>2,085,000</u>	<u>376,922</u>	<u>2,461,922</u>	6.375%	6.454%
Totals	<u>\$3,440,000</u>	<u>\$1,267,670</u>	<u>\$4,707,670</u>		

A reconciliation of long-term liabilities are shown below:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Balance at July 1, 2008	\$ 0	\$ 3,665,000	\$ 3,665,000
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>
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>240,000</u>	<u>240,000</u>
Balance at June 30, 2010	<u>\$ 0</u>	<u>\$ 3,200,000</u>	<u>\$ 3,200,000</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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 fiscal years ended June 30, 2010 and 2009, respectively.

Lease Obligations

LMHA has not leased office equipment in the fiscal years ended June 30, 2010 and 2009, 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 employer 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 report 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 June 30, 2010, 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 14.00 percent of covered payroll for 2009 and 2010. The Ohio Revised Code provides statutory authority for member and employer contributions.

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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 fiscal years ended June 30, 2010, 2009, and 2008 were \$575,285, \$546,109, and \$541,057, respectively; 100 percent has been contributed for 2010, 2009, and 2008. Contributions to the Member-Directed Plan for the fiscal years ended June 30, 2010, 2009, and 2008, were \$6,278, \$6,110, and \$5,936, respectively.

LCEHC's required contributions for pension obligations to the Traditional and Combined plans for the fiscal years ended June 30, 2010, 2009, and 2008 were \$38,743, \$40,451, and \$42,524, 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 No. 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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(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 2010 and 2009, 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. The portion of employer contributions allocated to health care was 7.00 percent for the months of January through March 2009 and 5.5 percent for the months of April through June 30, 2010. 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, 2010, which were used to fund post-employment benefits were \$282,943 for the Authority and \$19,372 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. 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 FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(CONTINUED)**

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

B. **Funding Policy** (Continued)

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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	\$ 142,017,625
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.

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009
(CONTINUED)

NOTE 10: 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	
	2010	2009
Restricted Housing Choice Voucher Housing Assistance		
Housing Choice Voucher HAP Checking	\$ 34,846	\$ 1,448,741
Money Market Account (HAP Portion)	914,855	715,793
Total	\$ 949,701	\$ 2,164,534

NOTE 11: CONCENTRATIONS

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

NOTE 12: 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, 2010 and 2009, 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, 2010**

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
<i>Low Income Housing Assistance Programs</i>		
Section 8 Housing Choice Voucher	14.871	\$ 17,309,941
Public Housing - Operating Subsidy	14.850	6,187,977
Shelter Plus Care	14.238	316,446
Resident Opportunity and Supportive Services Grant	14.870	40,564
Public Housing Capital Fund Cluster:		
Public Housing Capital Fund Program	14.872	2,628,002
Public Housing Capital Fund Stimulus (Formula)		
Recovery Act Funded - American Recovery and Reinvestment Act of 2009	14.885	<u>3,230,187</u>
Total Capital Fund Cluster		<u>5,858,189</u>
Total U.S. Department of Housing and Urban Development		<u>29,713,117</u>
Total Federal Financial Assistance		<u>\$29,713,117</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, 2010**

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>\$ 817,201</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF COMPLETED GRANTS/CERTIFICATES
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Description</u>	Note A OH12RFS14A007 <u>ROSS Grant</u>
Funds Approved - Latest Budget	\$ 43,260
Funds Advanced	43,260
Funds Expended	<u>43,260</u>
 Difference between Funds Advanced and Funds Expended	 <u><u>\$ 0</u></u>

Note A: This Resident Opportunity and Self Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2010. All funds were advanced and expended.

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

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	1,410
Section 8 Vouchers	2,822	2,788
Shelter Plus Care	65	57
General Fund (not HUD funded)	<u>7</u>	<u>3</u>
Total Lorain Metropolitan Housing Authority	<u>4,344</u>	<u>4,258</u>
 Lorain County Elderly Housing Corporation		
Section 8 New Construction	<u>200</u>	<u>187</u>
 Total LMHA and LCEHC	<u><u>4,544</u></u>	<u><u>4,445</u></u>

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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 (the Authority), Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated September 16, 2010. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

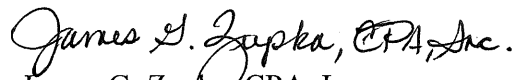
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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

September 16, 2010

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
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 Lorain Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Lorain Metropolitan Housing Authority, Ohio's major federal programs for the year ended June 30, 2010. Lorain Metropolitan Housing Authority, Ohio's major federal programs are 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 each of its major federal programs 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.

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. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.


Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Metropolitan Housing Authority, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 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

September 16, 2010

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 20`0**

1. SUMMARY OF AUDITOR’S RESULTS

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2010(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2010(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2010(v)	Type of Major Programs’ Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): Public Housing - Operating - CFDA #14.850 Public Housing Capital Fund Cluster: Public Housing Capital Fund Program- CFDA #14.872 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded- ARRA - CFDA #14.885	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 891,394 Type B: > all others
2010(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, 2010**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2009.

This Page is Intentionally Left Blank.



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
DECEMBER 21, 2010**