

**LORAIN METROPOLITAN
HOUSING AUTHORITY
LORAIN COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011**

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



Dave Yost • Auditor of State

Board of Directors
Lorain Metropolitan Housing Authority and
Lorain County Elderly Housing Corporation
1600 Kansas Avenue
Lorain, Ohio 44052

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, and of the Lorain County Elderly Housing Corporation (a component unit of the Housing Authority), prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. 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) is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 6, 2012

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LORAIN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

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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, 2012 and June 30, 2011, 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.

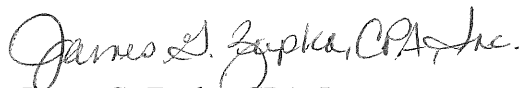
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2012 and June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows 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 October 15, 2012, 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 (HUD) for additional analysis, although not required to be part of the basic financial statements. The FDS are not available as HUD has not completed its review of the Schedules as of the date of this report.



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

October 15, 2012

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(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 \$669,327, or 1.8 percent, during 2012. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net assets. Net assets were \$37,974,024 and \$38,643,351 for 2012 and 2011, respectively.
- The business-type activities’ revenue for the primary government decreased by \$1,285,185, or 4.1 percent, during 2012 and was \$30,417,259 and \$31,702,444 for 2012 and 2011, respectively.
- The total expenses for the primary government of all Authority programs decreased by \$677,357, or 2.1 percent. Total expenses were \$31,086,586 and \$31,763,943 for 2012 and 2011, respectively.
- The component unit’s net assets decreased by \$50,797, or 1.9 percent, during 2012. Since the Authority engages in only business-type activities, the increase is all in the category of business-type net assets. Net assets were \$2,584,161 and \$2,634,958 for 2012 and 2011, respectively.
- The business-type activities’ revenue for the component unit decreased by \$27,560, or 1.9 percent, during 2012 and was \$1,404,452 and \$1,432,012 for 2012 and 2011, respectively.
- The total expenses for the component unit decreased by \$3,509, or .2 percent. Total expenses were \$1,455,249 and \$1,458,758 for 2012 and 2011, 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, 2012 AND 2011
(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, 2012 AND 2011
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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), an Ohio non-profit corporation, 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

	2012	2011	2010
<u>Assets</u>			
Current and Other Assets	\$ 11,377,407	\$ 10,591,070	\$ 11,606,694
Capital Assets	28,360,095	29,488,979	28,778,462
Total Assets	<u>39,737,502</u>	<u>40,080,049</u>	<u>40,385,156</u>
<u>Liabilities</u>			
Current Liabilities	1,372,113	1,089,218	1,366,108
Long-Term Liabilities	391,365	347,480	314,198
Total Liabilities	<u>1,763,478</u>	<u>1,436,698</u>	<u>1,680,306</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	28,360,095	29,488,979	28,778,462
Restricted	3,028,878	1,015,974	949,701
Unrestricted	6,585,051	8,138,398	8,976,687
Total Net Assets	<u>\$ 37,974,024</u>	<u>\$ 38,643,351</u>	<u>\$ 38,704,850</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, 2012 AND 2011
(Unaudited)**

Major Factors Affecting the Statement of Net Assets

Current and other assets were increased by \$786,337, while current liabilities were increased by \$282,895. Current assets, primarily cash and investments, increased due to the 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 \$1,128,884 from \$29,488,979 to \$28,360,095. 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, 2011	<u>\$ 8,138,398</u>
Results of Operations	(669,327)
Adjustments:	
Depreciation (1)	<u>2,684,578</u>
Adjusted Results from Operations	2,015,251
Net Change in Restricted Assets (3)	2,012,904
Net Change in Capital Assets (2)	<u>(5,581,502)</u>
Unrestricted Net Assets at June 30, 2012	<u>\$ 6,585,051</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 re-benchmarking of Housing Choice Voucher Housing Assistance Payment funding in fiscal year 2012, the restriction of investments for insurance proceeds, and the restriction of investments for specific modernization projects.

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, 2012 AND 2011
(Unaudited)**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Revenues</u>			
Tenant Revenue - Rents and Other	\$ 1,932,138	\$ 2,080,717	\$ 1,989,177
Operating Subsidies and Grants	26,405,844	26,941,351	25,542,129
Capital Grants	1,304,965	2,346,495	4,170,988
Investment Income	24,817	34,825	88,556
Other Revenues	749,495	299,056	319,549
Total Revenues	<u>30,417,259</u>	<u>31,702,444</u>	<u>32,110,399</u>
<u>Expenses</u>			
Administrative	5,040,729	4,995,498	4,600,847
Tenant Services	285,238	269,296	231,368
Utilities	1,328,274	1,401,261	1,406,183
Maintenance	2,919,535	2,971,812	3,560,051
Protective Services	334,109	339,692	318,995
General	795,277	1,107,274	996,299
Housing Assistance Payments	17,698,846	17,792,131	17,007,450
Depreciation	<u>2,684,578</u>	<u>2,886,979</u>	<u>2,986,916</u>
Total Expenses before Special Item	<u>31,086,586</u>	<u>31,763,943</u>	<u>31,108,109</u>
Special Item	<u>0</u>	<u>0</u>	<u>9,646</u>
Total Expenses after Special Item	<u>31,086,586</u>	<u>31,763,943</u>	<u>31,117,755</u>
Net Increase/(Decrease)	<u>\$ (669,327)</u>	<u>\$ (61,499)</u>	<u>\$ 992,644</u>

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

Total revenues decreased by \$1,285,185. This net decrease is a result of the continuing decrease in the Capital Fund Grant allocation, the timing differences in Capital Fund projects from year to year, the public housing subsidy offset, and tenant rent.

Total expenses decreased \$677,357. This change was due to a decrease in utility expense, extraordinary maintenance, and depreciation.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$28,360,095 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$1,128,884 from the end of last year.

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

	2012	2011	2010
Land	\$ 5,020,522	\$ 5,020,522	\$ 4,693,928
Buildings	74,334,229	71,832,432	69,602,654
Office Equipment	1,390,129	1,112,780	992,430
Maintenance Equipment/Vehicles	627,569	617,554	613,818
Construction in Progress	498,510	1,862,231	976,054
Total	<u>81,870,959</u>	<u>80,445,519</u>	<u>76,878,884</u>
Less Accumulated Depreciation	<u>(53,510,864)</u>	<u>(50,956,540)</u>	<u>(48,100,425)</u>
Total Capital Assets	<u>\$ 28,360,095</u>	<u>\$ 29,488,979</u>	<u>\$28,778,459</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, 2012

Beginning Balance - July 1, 2011	\$29,488,979
Additions	1,425,440
Retirements, Net of Depreciation	(2,448)
Depreciation	<u>(2,551,876)</u>
Ending Balance - June 30, 2012	<u>\$28,360,095</u>

This year's major additions are:

Capital Improvements Programs	\$ 1,138,076
Equipment Purchases	287,364
Total Additions	<u>\$ 1,425,440</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$1,760,914 in debt outstanding compared to \$3,200,000 last year, a \$1,439,086 decrease (regularly scheduled debt retirement and debt retirement as a result of refinancing the outstanding bonds). No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Refinance of Construction and Acquisition	\$ 2,945,000	\$ 3,200,000	\$ 3,440,000
Less: Reduction Due to Refinance	(979,292)	0	0
Less: Current Portion	<u>(204,794)</u>	<u>(255,000)</u>	<u>(240,000)</u>
Total Outstanding Debt	<u>\$ 1,760,914</u>	<u>\$ 2,945,000</u>	<u>\$ 3,200,000</u>

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, 2012 AND JUNE 30, 2011

	June 30, 2012			June 30, 2011		
	Primary	Component		Primary	Component	
	Government	Unit		Government	Unit	
	Lorain	Lorain County	Total	Lorain	Lorain County	Total
Metropolitan	Elderly	Metropolitan		Elderly		
	Housing	Housing	(Memorandum	Housing	Housing	(Memorandum
	Authority	Corporation	Only)	Authority	Corporation	Only)
ASSETS						
Current Assets						
Cash and Equivalents:						
Cash and Cash Equivalents	\$ 1,651,268	\$ 979,639	\$ 2,630,907	\$ 2,938,904	\$ 1,037,243	\$ 3,976,147
Cash - Restricted	1,696,228	0	1,696,228	1,096,913	0	1,096,913
Cash - Tenant Security Deposits	154,751	46,970	201,721	150,101	47,023	197,124
Total Cash and Cash Equivalents	3,502,247	1,026,609	4,528,856	4,185,918	1,084,266	5,270,184
Accounts and Notes Receivable:						
HUD - Other Projects	335,000	0	335,000	88,804	0	88,804
Miscellaneous	5,170	2,500	7,670	0	0	0
Tenants, Net	6,196	1,817	8,013	78,381	3,876	82,257
Notes, Loans, and Mortgages Receivable,						
Current	30,135	0	30,135	0	0	0
Fraud Recovery Receivable, Net	74,497	1,246	75,743	101,278	2,200	103,478
Accrued Interest Receivable	11,698	317	12,015	12,311	1,286	13,597
Total Accounts and Notes Receivable	462,696	5,880	468,576	280,774	7,362	288,136
Other Current Assets:						
Investments - Unrestricted	5,776,883	500,000	6,276,883	5,850,000	700,000	6,550,000
Investments - Restricted	1,423,117	0	1,423,117	0	966,711	966,711
Inventories, Net	154,871	16,273	171,144	183,996	13,365	197,361
Prepaid Expenses and Other Assets	57,593	20,720	78,313	35,721	12,794	48,515
Interprogram Due from Other Entities	0	31,046	31,046	54,661	0	54,661
Total Other Current Assets	7,412,464	568,039	7,980,503	6,124,378	1,692,870	7,817,248
Total Current Assets	11,377,407	1,600,528	12,977,935	10,591,070	2,784,498	13,375,568
Non-Current Assets						
Capital Assets						
Non-depreciable Capital Assets	5,519,032	316,930	5,835,962	6,882,753	409,131	7,291,884
Depreciable Capital Assets, Net	22,841,063	2,765,425	25,606,488	22,606,226	2,923,243	25,529,469
Total Capital Assets	28,360,095	3,082,355	31,442,450	29,488,979	3,332,374	32,821,353
Total Non-Current Assets	28,360,095	3,082,355	31,442,450	29,488,979	3,332,374	32,821,353
TOTAL ASSETS	\$ 39,737,502	\$ 4,682,883	\$44,420,385	\$ 40,080,049	\$ 6,116,872	\$ 46,196,921

See notes to the financial statements

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012 AND JUNE 30, 2011
(CONTINUED)

	June 30, 2012			June 30, 2011		
	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	\$ 119,451	\$ 0	\$ 119,451	\$ 53,898	\$ 679	\$ 54,577
Accrued Wages and Payroll Taxes	276,838	14,013	290,851	162,535	10,631	173,166
Accrued Compensated Absences	323,390	16,944	340,334	323,822	14,316	338,138
Accrued Interest Payable	0	8,163	8,163	0	93,500	93,500
Accounts Payable - PILOT and Other	28,035	29,696	57,731	32,272	26,111	58,383
Tenant Security Deposits	148,115	46,026	194,141	142,351	45,825	188,176
Current Portion of Long-Term Debt	0	204,794	204,794	0	255,000	255,000
Other Current Liabilities	445,238	9,244	454,482	374,340	27,194	401,534
Interprogram Due to Other Entities	31,046	0	31,046	0	54,661	54,661
Total Current Liabilities	<u>1,372,113</u>	<u>328,880</u>	<u>1,700,993</u>	<u>1,089,218</u>	<u>527,917</u>	<u>1,617,135</u>
Non-Current Liabilities						
Long-Term Debt, Net of Current Portion	0	1,760,914	1,760,914	0	2,945,000	2,945,000
Accrued Compensated Absences	301,341	8,928	310,269	266,908	8,997	275,905
Non-Current Liabilities - FSS Escrow and Others	90,024	0	90,024	80,572	0	80,572
Total Non-Current Liabilities	<u>391,365</u>	<u>1,769,842</u>	<u>2,161,207</u>	<u>347,480</u>	<u>2,953,997</u>	<u>3,301,477</u>
TOTAL LIABILITIES	<u>1,763,478</u>	<u>2,098,722</u>	<u>3,862,200</u>	<u>1,436,698</u>	<u>3,481,914</u>	<u>4,918,612</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	28,360,095	1,116,647	29,476,742	29,488,979	330,957	29,819,936
Restricted Net Assets	3,028,878	0	3,028,878	1,015,974	966,711	1,982,685
Unrestricted Net Assets	6,585,051	1,467,514	8,052,565	8,138,398	1,337,290	9,475,688
TOTAL NET ASSETS	<u>37,974,024</u>	<u>2,584,161</u>	<u>40,558,185</u>	<u>38,643,351</u>	<u>2,634,958</u>	<u>41,278,309</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,737,502</u>	<u>\$ 4,682,883</u>	<u>\$ 44,420,385</u>	<u>\$ 40,080,049</u>	<u>\$ 6,116,872</u>	<u>\$ 46,196,921</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, 2012 AND 2011

	June 30, 2012			June 30, 2011		
	Primary	Component		Primary	Component	
	Government	Unit		Government	Unit	
	Lorain	Lorain County	Total	Lorain	Lorain County	Total
Metropolitan Housing Authority	Elderly Housing Corporation	(Memorandum Only)		Metropolitan Housing Authority	Elderly Housing Corporation	
Operating Revenue						
Net Tenant Rental Revenue	\$ 1,746,072	\$ 537,761	\$ 2,283,833	\$ 1,882,299	\$ 534,702	\$ 2,417,001
Tenant Revenue - Other	186,066	7,772	193,838	198,418	6,577	204,995
	<u>1,932,138</u>	<u>545,533</u>	<u>2,477,671</u>	<u>2,080,717</u>	<u>541,279</u>	<u>2,621,996</u>
HUD PHA Operating Grants	26,405,844	838,934	27,244,778	26,941,351	870,302	27,811,653
Fraud Recovery Receivable	174,851	619	175,470	133,285	0	133,285
Other Revenue	577,091	16,634	593,725	165,771	14,703	180,474
Total Operating Revenues	<u>29,089,924</u>	<u>1,401,720</u>	<u>30,491,644</u>	<u>29,321,124</u>	<u>1,426,284</u>	<u>30,747,408</u>
Operating Expenses						
Administrative	5,040,729	409,548	5,450,277	4,995,498	359,620	5,355,118
Tenant Services	285,238	0	285,238	269,296	0	269,296
Utilities	1,328,274	227,470	1,555,744	1,401,261	263,208	1,664,469
Ordinary Maintenance and Operation	2,919,535	251,897	3,171,432	2,971,812	259,504	3,231,316
Protective Services	334,109	8,486	342,595	339,692	5,832	345,524
Insurance Premiums	324,369	27,551	351,920	375,203	45,455	420,658
Other General Expenses	50,464	0	50,464	1,421	10,022	11,443
Payments in Lieu of Taxes	28,035	29,696	57,731	32,272	26,111	58,383
Bad Debt	202,059	10,727	212,786	171,034	8,839	179,873
Extraordinary Maintenance	106,162	5,849	112,011	373,651	22,035	395,686
Casualty Losses - Non-Capitalized	84,188	0	84,188	153,693	75	153,768
Housing Assistance Payments	17,698,846	0	17,698,846	17,792,131	0	17,792,131
Depreciation Expense	2,684,578	293,121	2,977,699	2,886,979	253,419	3,140,398
Total Operating Expenses	<u>31,086,586</u>	<u>1,264,345</u>	<u>32,350,931</u>	<u>31,763,943</u>	<u>1,254,120</u>	<u>33,018,063</u>
Operating Income	<u>(1,996,662)</u>	<u>137,375</u>	<u>(1,859,287)</u>	<u>(2,442,819)</u>	<u>172,164</u>	<u>(2,270,655)</u>
Non-Operating Revenues (Expenses)						
Investment Income - Unrestricted	23,592	2,718	26,310	33,592	5,649	39,241
Investment Income - Restricted	1,225	14	1,239	1,233	79	1,312
Gain (Loss) on Capital Assets	(2,447)	0	(2,447)	0	0	0
Interest Expense	0	(190,904)	(190,904)	0	(204,638)	(204,638)
Total Non-Operating Revenues (Expenses)	<u>22,370</u>	<u>(188,172)</u>	<u>(165,802)</u>	<u>34,825</u>	<u>(198,910)</u>	<u>(164,085)</u>
Income (Loss) Before Capital Contributions	<u>(1,974,292)</u>	<u>(50,797)</u>	<u>(2,025,089)</u>	<u>(2,407,994)</u>	<u>(26,746)</u>	<u>(2,434,740)</u>
Capital Contributions	<u>1,304,965</u>	<u>0</u>	<u>1,304,965</u>	<u>2,346,495</u>	<u>0</u>	<u>2,346,495</u>
Change in Net Assets	<u>(669,327)</u>	<u>(50,797)</u>	<u>(720,124)</u>	<u>(61,499)</u>	<u>(26,746)</u>	<u>(88,245)</u>
Total Net Assets - Beginning	<u>38,643,351</u>	<u>2,634,958</u>	<u>41,278,309</u>	<u>38,704,850</u>	<u>2,661,704</u>	<u>41,366,554</u>
Total Net Assets - Ending	<u>\$37,974,024</u>	<u>\$ 2,584,161</u>	<u>\$40,558,185</u>	<u>\$38,643,351</u>	<u>\$ 2,634,958</u>	<u>\$41,278,309</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012			June 30, 2011		
	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	\$ 2,004,323	\$ 547,592	\$ 2,551,915	\$ 2,085,359	\$ 543,605	\$ 2,628,964
Other Revenue Received	716,335	15,908	732,243	288,658	19,538	308,196
General and Administrative Expenses Paid	(28,074,385)	(991,162)	(29,065,547)	(29,111,759)	(980,620)	(30,092,379)
Net Cash Provided (Used) by Operating Activities	<u>(25,353,727)</u>	<u>(427,662)</u>	<u>(25,781,389)</u>	<u>(26,737,742)</u>	<u>(417,477)</u>	<u>(27,155,219)</u>
Cash Flows from Non-Capital Financing Activities						
Government Operating Grants Received	26,409,474	838,934	27,248,408	26,933,941	870,302	27,804,243
Increases/Decreases in Due To/ Due From Related Activity	85,707	(85,707)	0	38,451	(38,451)	0
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>26,495,181</u>	<u>753,227</u>	<u>27,248,408</u>	<u>26,972,392</u>	<u>831,851</u>	<u>27,804,243</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds from Mortgage Loan	0	2,000,000	2,000,000	0	0	0
Government Capital Grants Received	1,055,139	0	1,055,139	2,815,828	0	2,815,828
Purchases of Land, Structures, and Equipment	(1,555,694)	(43,102)	(1,598,796)	(3,597,496)	(267,195)	(3,864,691)
Payments to Retire Long-Term Debt	0	(3,234,292)	(3,234,292)	0	(240,000)	(240,000)
Interest Paid	0	(276,241)	(276,241)	0	(211,651)	(211,651)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(500,555)</u>	<u>(1,553,635)</u>	<u>(2,054,190)</u>	<u>(781,668)</u>	<u>(718,846)</u>	<u>(1,500,514)</u>
Cash Flows from Investing Activities						
Purchase of Investments	(8,300,000)	(4,391,033)	(12,691,033)	(10,350,000)	(2,999,288)	(13,349,288)
Proceeds from Sale of Investments	6,950,000	5,557,745	12,507,745	12,300,000	3,875,054	16,175,054
Interest Received	25,430	3,701	29,131	55,514	11,716	67,230
Net Cash Provided (Used) by Investing Activities	<u>(1,324,570)</u>	<u>1,170,413</u>	<u>(154,157)</u>	<u>2,005,514</u>	<u>887,482</u>	<u>2,892,996</u>
Increase (Decrease) in Cash and Cash Equivalents	(683,671)	(57,657)	(741,328)	1,458,496	583,010	2,041,506
Cash and Cash Equivalents - Beginning of Year	4,185,918	1,084,266	5,270,184	2,727,422	501,256	3,228,678
Cash and Cash Equivalents - End of Year	<u>\$ 3,502,247</u>	<u>\$ 1,026,609</u>	<u>\$ 4,528,856</u>	<u>\$ 4,185,918</u>	<u>\$ 1,084,266</u>	<u>\$ 5,270,184</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	\$ (1,999,109)	\$ 137,375	\$ (1,861,734)	\$ (2,442,819)	\$ 172,164	\$ (2,270,655)
Adjustments to Change in Net Assets:						
HUD PHA Operating Grants	(26,405,844)	(838,934)	(27,244,778)	(26,941,351)	(870,302)	(27,811,653)
Add Back Non-Cash Items:						
Depreciation Expense	2,684,578	293,121	2,977,699	2,886,979	253,419	3,140,398
Decrease (Increase) in Operating Assets:						
Accounts Receivable	63,662	512	64,174	(4,456)	4,132	(324)
Prepaid Expenses	(21,872)	(7,926)	(29,798)	(7,776)	10,305	2,529
Inventory	29,125	(2,908)	26,217	15,289	(976)	14,313
Increase (Decrease) in Operating Liabilities:						
Accounts Payable	65,553	(679)	64,874	(488,403)	(7,315)	(495,718)
Accrued Liabilities	234,417	(11,808)	222,609	228,980	22,465	251,445
Other Liabilities	(4,237)	3,585	(652)	15,815	(1,369)	14,446
Total Adjustments	<u>(23,354,618)</u>	<u>(565,037)</u>	<u>(23,919,655)</u>	<u>(24,294,923)</u>	<u>(589,641)</u>	<u>(24,884,564)</u>
Net Cash Used by Operating Activities	<u>\$ (25,353,727)</u>	<u>\$ (427,662)</u>	<u>\$ (25,781,389)</u>	<u>\$ (26,737,742)</u>	<u>\$ (417,477)</u>	<u>\$ (27,155,219)</u>

See notes to the financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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), an Ohio non-profit corporation, 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, 2012 AND 2011
(CONTINUED)**

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

Component Unit

The Lorain County Elderly Housing Corporation (LCEHC), an Ohio non-profit corporation, 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. 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 non-profit, 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, 2012 AND 2011
(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 30 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.

Notes Receivable

Notes receivable represents the amount from tenant repayment agreements created from tenants who owe specific payments for a specific term. The revenues associated with these notes receivable have been recognized.

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, 2012 AND 2011
(CONTINUED)**

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

Cash and Investments - Restricted

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

Restricted investments for LMHA represents insurance proceeds from casualty loss and investments restricted by Board resolution for specific modernization projects.

Restricted cash for LCEHC represents tenant security deposits. Tenant security and FSS deposits are restricted by HUD regulations and can only be used to refund deposits, unless forfeited.

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 anniversary date of one fiscal year to the anniversary date of the next fiscal year. The Executive Director can extend the carryover an additional 30 days. The Board of Commissioners can also extend the carryover, upon written approval. 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, 2012 AND 2011
(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 hours, 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, 2012 AND 2011
(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 \$4,528,856 and \$5,270,184 at June 30, 2012 and 2011, respectively, which includes \$400 of petty cash for both years, and the bank balance was \$4,705,432 and \$5,553,392 at June 30, 2012 and 2011, 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 \$7,700,000 and \$6,550,000 at June 30, 2012 and 2011, 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 \$0 and \$966,711 at June 30, 2012 and 2011, 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, 2012 AND 2011
(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, 2012		
	Primary Government	Component Unit	Total
Cash and Investments			
Unrestricted Cash and Cash Equivalents *	\$ 1,651,268	\$ 979,639	\$ 2,630,907
Restricted Cash and Cash Equivalents - Housing Choice Voucher Housing Assistance Payments	1,696,228	0	1,696,228
Unrestricted Investments	5,776,883	500,000	6,276,883
Restricted Investments - Insurance Proceeds and Specific Modernization Projects	1,423,117	0	1,423,117
Restricted Cash and Investment - Tenant Security Deposits	154,751	46,970	201,721
Total Cash and Investments	\$ 10,702,247	\$ 1,526,609	\$ 12,228,856
Carrying Amount of Deposits	\$ 3,502,247	\$ 1,026,609	\$ 4,528,856
Carrying Amount of Investments	7,200,000	500,000	7,700,000
Total	\$ 10,702,247	\$ 1,526,609	\$ 12,228,856
	June 30, 2011		
	Primary Government	Component Unit	Total
Cash and Investments			
Unrestricted Cash and Cash Equivalents	\$ 2,938,904	\$ 1,037,243	\$ 3,976,147
Restricted Cash and Cash Equivalents - Housing Choice Voucher Housing Assistance Payments	1,096,913	0	1,096,913
Unrestricted Investments	5,850,000	700,000	6,550,000
Restricted Cash and Investment - Tenant Security Deposits	150,101	47,023	197,124
Restricted Investments - Trustee and Endowment Fund	0	966,711	966,711
Total Cash and Investments	\$ 10,035,918	\$ 2,750,977	\$ 12,786,895
Carrying Amount of Deposits	\$ 4,185,918	\$ 1,084,266	\$ 5,270,184
Carrying Amount of Investments	5,850,000	1,666,711	7,516,711
Total	\$ 10,035,918	\$ 2,750,977	\$ 12,786,895

* Includes petty cash

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(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:

<u>Lorain Metropolitan Housing Authority</u>		June 30,	
		<u>2012</u>	<u>2011</u>
<u>Business Activities</u>			
Other Non-HUD Reserves	\$	4,128	\$ 4,024
 <u>Low-Rent Public Housing</u>			
Tenant Security Deposits		150,623	146,077
Family Self-Sufficiency Escrow Deposits		32,473	27,882
Investments - Restricted		1,423,117	0
 <u>Section 8 Program</u>			
Housing Assistance Payments		1,605,761	1,015,974
Family Self-Sufficiency Escrow Deposits		57,994	53,057
Total Lorain Metropolitan Housing Authority		<u>\$ 3,274,096</u>	<u>\$ 1,247,014</u>

<u>Lorain County Elderly Housing Corporation</u>		June 30,	
		<u>2012</u>	<u>2011</u>
Tenant Security Deposits	\$	46,970	\$ 47,023
Trustee Reserves as Follows:			
Current Revenue Fund		0	21,000
Cumulative Reserve Fund		0	4,542
Replacement Reserve Fund		0	246,021
Tax and Insurance Fund		0	98,300
Management Account		0	9,420
Interest Account		0	85,000
Principal Account		0	233,750
Debt Service Fund		0	268,678
Total Lorain County Elderly Housing Corporation		<u>\$ 46,970</u>	<u>\$ 1,013,734</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

Lorain Metropolitan Housing Authority

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i><u>Capital Assets Not Being Depreciated</u></i>				
Land	\$ 5,020,522	\$ 0	\$ 0	\$ 5,020,522
Construction in Progress	1,862,231	498,510	(1,862,231)	498,510
<i>Total Capital Assets Not Being Depreciated</i>	<u>6,882,753</u>	<u>498,510</u>	<u>(1,862,231)</u>	<u>5,519,032</u>
<i><u>Capital Assets Being Depreciated</u></i>				
Buildings	71,832,432	2,542,224	(40,427)	74,334,229
Office Equipment	1,112,780	369,622	(92,273)	1,390,129
Maintenance Equipment	281,188	10,015	0	291,203
Vehicles	336,366	0	0	336,366
<i>Total Capital Assets Being Depreciated</i>	<u>73,562,766</u>	<u>2,921,861</u>	<u>(132,700)</u>	<u>76,351,927</u>
<i><u>Less Accumulated Depreciation</u></i>				
Buildings	(49,693,188)	(2,576,697)	37,979	(52,231,906)
Office Equipment	(760,252)	(67,094)	92,273	(735,073)
Maintenance Equipment	(233,457)	(7,985)	0	(241,442)
Vehicles	(269,643)	(32,800)	0	(302,443)
<i>Total Accumulated Depreciation</i>	<u>(50,956,540)</u>	<u>(2,684,576)</u>	<u>130,252</u>	<u>(53,510,864)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>22,606,226</u>	<u>237,285</u>	<u>(2,448)</u>	<u>22,841,063</u>
Capital Assets, Net	<u><u>\$ 29,488,979</u></u>	<u><u>\$ 735,795</u></u>	<u><u>\$(1,864,679)</u></u>	<u><u>\$ 28,360,095</u></u>

Lorain County Elderly Housing Corporation

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i><u>Capital Assets Not Being Depreciated</u></i>				
Land	\$ 316,930	\$ 0	\$ 0	\$ 316,930
Construction in Progress	92,201	(92,201)	0	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>409,131</u>	<u>(92,201)</u>	<u>0</u>	<u>316,930</u>
<i><u>Capital Assets Being Depreciated</u></i>				
Buildings	7,825,892	103,681	0	7,929,573
Office Equipment	35,722	12,172	(6,818)	41,076
Maintenance Equipment	170,626	19,450	0	190,076
Vehicles	12,964	0	0	12,964
<i>Total Capital Assets Being Depreciated</i>	<u>8,045,204</u>	<u>135,303</u>	<u>(6,818)</u>	<u>8,173,689</u>
<i><u>Less Accumulated Depreciated</u></i>				
Buildings	(5,031,782)	(263,004)	0	(5,294,786)
Office Equipment	(25,157)	(2,135)	6,818	(20,474)
Maintenance Equipment	(56,596)	(25,389)	0	(81,985)
Vehicles	(8,426)	(2,593)	0	(11,019)
<i>Total Accumulated Depreciation</i>	<u>(5,121,961)</u>	<u>(293,121)</u>	<u>6,818</u>	<u>(5,408,264)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,923,243</u>	<u>(157,818)</u>	<u>0</u>	<u>2,765,425</u>
Capital Assets, Net	<u><u>\$ 3,332,374</u></u>	<u><u>\$ (250,019)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 3,082,355</u></u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(CONTINUED)**

NOTE 6: DEBT AND LEASE OBLIGATIONS

Lorain County Elderly Housing Corporation Long-Term Debt

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. On April 4, 2012, a loan agreement in the amount of \$2,000,000 with Lorain National Bank was executed. The proceeds from this loan and existing funds were used to call, on May 15, 2012, the remaining outstanding bonds at a redemption price of 100 percent in the amount of \$2,945,000.

Mortgage Loan

On April 4, 2012, a loan agreement in the amount of \$2,000,000 with Lorain National Bank was executed for the purpose of providing funds to call the outstanding bonds (stated rate of 6.375 percent). The new loan is payable in monthly installments of \$26,040, including interest at 5.75 percent.

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

Fiscal Year	Principal Amount	Interest Amount	Total Amount	Interest Rate (%)
2013	\$ 204,794	\$ 107,687	\$ 312,481	5.750%
2014	216,885	95,596	312,481	5.750%
2015	229,690	82,791	312,481	5.750%
2016	243,251	69,230	312,481	5.750%
2017-2019	1,071,088	57,320	1,128,408	5.750%
Totals	<u>\$1,965,708</u>	<u>\$ 412,624</u>	<u>\$2,378,332</u>	

A reconciliation of long-term liabilities are shown below:

	Balance July 1, 2011	Additions	Retired	Balance June 30, 2012	Due Within One Year
2012					
Multi-Family Housing Refunding Revenue Bonds, 1993	\$ 3,200,000	\$ 0	\$ 3,200,000	\$ 0	\$ 0
Mortgage Loan	<u>0</u>	<u>2,000,000</u>	<u>34,292</u>	<u>1,965,708</u>	<u>204,794</u>
Total 2012	<u>\$ 3,200,000</u>	<u>\$2,000,000</u>	<u>\$ 3,234,292</u>	<u>\$ 1,965,708</u>	<u>\$ 204,794</u>
	Balance July 1, 2010	Additions	Retired	Balance June 30, 2011	Due Within One Year
2011					
Multi-Family Housing Refunding Revenue Bonds, 1993	\$ 3,440,000	\$ 0	\$ 240,000	\$ 3,200,000	\$ 255,000

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(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, 2012 and 2011, respectively.

Lease Obligations

LMHA has not leased office equipment in the fiscal years ended June 30, 2012 and 2011, 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 report that can be obtained by visiting <http://www.opers.org/investments/cafr.html>, or 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, 2012, 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 2011 and 2012. 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, 2012 AND 2011
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

LMHA's required contributions for pension obligations to the plans for the fiscal years ended June 30, 2012, 2011, and 2010 were \$660,299, \$630,818, and \$598,615, respectively; 89 percent has been contributed for 2012 and 100 percent has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for the fiscal years ended June 30, 2012, 2011, and 2010, were \$5,096, \$4,475, and \$5,991, respectfully.

LCEHC's required contributions for pension obligations to the Traditional and Combined plans for the fiscal years ended June 30, 2012, 2011, and 2010, were \$41,086, \$37,424, and \$38,743, 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, 2012 AND 2011
(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 visiting <http://www.opers.org.investments/cafr.html>, or 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 2012 and 2011, 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 4.0 percent for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees 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, 2012, which were used to fund post-employment benefits were \$178,374 for the Authority and \$11,739 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 January 1 of each year from 2006 to 2008. These rate increases 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, 2012 AND 2011
(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	\$ 5,000	\$ 143,496,178
General Liability	0	1,000,000/2,000,000
Vehicle	250/500	ACV/1,000,000
Directors, Officers, and Trustees Liability	10,000	1,000,000/1,000,000
Blanket Position Bond	5,000	250,000
Umbrella Liability	10,000	3,000,000/3,000,000

LMHA has contracted with 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: 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. In addition, funds in the Public Housing Program have been earmarked for future development. The corresponding funds are reflected in the restricted cash and investment accounts.

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Public Housing Funds	\$ 1,423,117	\$ 0
Restricted Housing Choice Voucher Housing Assistance		
Housing Choice Voucher HAP Checking	15,002	23,057
Money Market Account (HAP Portion)	<u>1,590,759</u>	<u>992,917</u>
Total	<u>\$ 3,028,878</u>	<u>\$ 1,015,974</u>

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(CONTINUED)**

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, 2012 and 2011, 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, 2012**

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	\$ 19,773,124
Public Housing - Operating Subsidy	14.850	5,941,428
Shelter Plus Care	14.238	324,467
Resident Opportunity and Supportive Services Grant	14.870	93,966
Public Housing Capital Fund Cluster:		
Public Housing Capital Fund Program	14.872	<u>1,577,824</u>
Total U.S. Department of Housing and Urban Development		<u><u>27,710,809</u></u>
Total Federal Financial Assistance		<u><u>\$27,710,809</u></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, 2012

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</i> Section 8 New Construction	14.182	\$ <u>838,934</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF COMPLETED GRANTS/CERTIFICATES
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Description</u>	<u>Note A</u>	<u>Note B</u>	<u>Note C</u>
	<u>OH16C70-7059</u> <u>OH0199C5E070802</u> Shelter Plus Care Grant	<u>OH12RFS14A009</u> ROSS Grant	<u>OH12PO1250108</u> Capital Fund Grant
Funds Approved - Latest Budget	\$ 519,672	\$ 62,895	\$ 2,696,232
Funds Advanced	339,445	62,895	2,696,232
Funds Expended	<u>339,445</u>	<u>62,895</u>	<u>2,696,232</u>
Difference between Funds Advanced and Funds Expended	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note A: This Shelter Plus Care grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2012. \$180,227 was not advanced or expended.

Note B: This Resident Opportunity and Self Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2012.

Note C: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2012. All funds were advanced and expended.

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

Lorain Metropolitan Housing Authority (LMHA) had a total of 4,655 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	1,434	1,389
Section 8 Vouchers	2,951	2,898
Shelter Plus Care	65	61
General Fund (not HUD funded)	<u>7</u>	<u>1</u>
Total Lorain Metropolitan Housing Authority	<u>4,457</u>	<u>4,349</u>
 Lorain County Elderly Housing Corporation		
Section 8 New Construction	<u>200</u>	<u>191</u>
 Total LMHA and LCEHC	<u><u>4,657</u></u>	<u><u>4,540</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, 2012, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated October 15, 2012. 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

Management of the Lorain Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective 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, members of the Board, 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

October 15, 2012

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 the Lorain Metropolitan Housing Authority, Ohio's major federal programs for the year ended June 30, 2012. 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.

Lorain Metropolitan Housing Authority, Ohio's basic financial statements include the operations of the Lorain County Elderly Housing Corporation (LCEHC), which received \$838,934 in federal awards which are not included in the Schedule during the year ended June 30, 2012. Our audit, described below, did not include the operations of the Lorain County Elderly Housing Corporation, because a separate A-133 audit report is issued for the component unit, the Lorain County Elderly Housing Corporation.

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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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, members of the Board, 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

October 15, 2012

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2012(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list): Section 8 Housing Choice Voucher Program - CFDA #14.871	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 831,324 Type B: > all others
2012(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, 2012**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2011.

**LORAIN COUNTY ELDERLY
HOUSING CORPORATION**

AUDIT REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011**

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

LORAIN COUNTY ELDERLY HOUSING CORPORATION
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

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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

Board of Trustees
Lorain County Elderly Housing Corporation
Lorain, Ohio

INDEPENDENT AUDITOR'S REPORT


We have audited the accompanying basic financial statements of the Lorain County Elderly Housing Corporation (a nonprofit organization), a component unit of the Lorain Metropolitan Housing Authority, Lorain, Ohio, as of June 30, 2012 and 2011, and 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 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 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 as of June 30, 2012 and 2011, 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 October 15, 2012, on our consideration of the Lorain County Elderly Housing Corporation'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.

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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.


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

October 15, 2012

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 979,639	\$ 1,037,243
Cash Restricted for Tenant Security Deposits	46,970	47,023
Unrestricted Investments	500,000	700,000
Temporarily Restricted Investments	0	966,711
Accounts Receivable - Miscellaneous	2,500	0
Accounts Receivable - Tenants, Net of Allowance of \$32 in 2012 and \$744 in 2011	1,817	3,876
Fraud Receivable - Tenants, Net of Allowance of \$22 in 2012 and \$0 in 2011	1,246	2,200
Receivables from LMHA	31,046	0
Accrued Interest Receivable	317	1,286
Prepaid Insurance	20,720	12,794
Inventory	16,273	13,365
Total Current Assets	1,600,528	2,784,498
<u>Noncurrent Assets</u>		
Land, Structures, and Equipment	8,490,619	8,454,335
Less: Accumulated Depreciation	(5,408,264)	(5,121,961)
Total Noncurrent Assets	3,082,355	3,332,374
TOTAL ASSETS	\$ 4,682,883	\$ 6,116,872
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 0	\$ 679
Accrued Wages and Fringe Benefits	14,013	10,631
Accrued Compensated Absences	16,944	14,316
Accrued Interest	8,163	93,500
Other Current Liabilities	9,244	27,194
Payment in Lieu of Taxes (PILOT)	29,696	26,111
Tenant Security Deposit Payable	46,026	45,825
Payable to LMHA	0	54,661
Bonds/Mortgage Payable - Current Portion	204,794	255,000
Total Current Liabilities	328,880	527,917
<u>Noncurrent Liabilities</u>		
Long-term Compensated Absences	8,928	8,997
Long-term Bonds Payable, Less Current Portion	1,760,914	2,945,000
Total Noncurrent Liabilities	1,769,842	2,953,997
TOTAL LIABILITIES	2,098,722	3,481,914
<u>Net Assets</u>		
Unrestricted	2,584,161	2,634,958
Total Net Assets	2,584,161	2,634,958
TOTAL LIABILITIES AND NET ASSETS	\$ 4,682,883	\$ 6,116,872

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Revenue</u>		
Net Tenant Rental Revenue	\$ 537,761	\$ 534,702
Tenant Revenue - Other	<u>7,772</u>	<u>6,577</u>
Total Tenant Revenue	545,533	541,279
HUD PHA Operating Grants	838,934	870,302
Other Revenue	<u>17,253</u>	<u>14,703</u>
Total Revenue	<u>1,401,720</u>	<u>1,426,284</u>
<u>Operating Expenses</u>		
Administrative	406,987	360,486
Utilities	227,470	263,208
Ordinary Maintenance and Operation	251,897	281,614
Protective Services	8,486	5,832
Insurance Premiums	27,551	45,455
Payment in Lieu of Taxes (PILOT)	29,696	26,111
Bad Debt (Recovery) - Tenant Rents	10,727	8,839
Other General Expenses	8,410	9,156
Depreciation Expense	<u>293,121</u>	<u>253,419</u>
Total Operating Expenses	<u>1,264,345</u>	<u>1,254,120</u>
Net Operating Income	<u>137,375</u>	<u>172,164</u>
<u>Other Revenues (Expenses)</u>		
Investment Income - Unrestricted	2,718	5,649
Investment Income - Restricted	14	79
Interest Expense	<u>(190,904)</u>	<u>(204,638)</u>
Total Other Revenues (Expenses)	<u>(188,172)</u>	<u>(198,910)</u>
Change in Net Assets	<u>\$ (50,797)</u>	<u>\$ (26,746)</u>

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
<u>Cash Flows from Operating Activities</u>		
Tenant Revenue Received	\$ 547,592	\$ 543,605
Government Operating Grants Received	838,934	870,302
Other Revenue Received	15,908	19,538
General and Administrative Expenses Paid	(991,162)	(980,620)
Interest Received	3,701	11,716
Interest Paid	<u>(276,241)</u>	<u>(211,651)</u>
Net Cash Provided by Operating Activities	<u>138,732</u>	<u>252,890</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of Land, Structures, and Equipment	(43,102)	(267,195)
Purchase of Investments	(4,391,033)	(2,999,288)
Proceeds from Sale of Investments	<u>5,557,745</u>	<u>3,875,054</u>
Net Cash Used in Investing Activities	<u>1,123,610</u>	<u>608,571</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Proceeds from Mortgage Loan	2,000,000	0
Increases/Decreases in Due To/Due From Related Entity	(85,707)	(38,451)
Payments to Retire Long-term Debt	<u>(3,234,292)</u>	<u>(240,000)</u>
Net Cash Used in Financing Activities	<u>(1,319,999)</u>	<u>(278,451)</u>
Increase (Decrease) in Cash and Cash Equivalents	(57,657)	583,010
Cash and Cash Equivalents - Beginning of Year	<u>1,084,266</u>	<u>501,256</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,026,609</u>	<u>\$ 1,084,266</u>
<u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating Activities</u>		
Change in Net Assets	\$ (50,797)	\$ (26,746)
Add Back Non-Cash Items:		
Depreciation Expense	293,121	253,419
Decrease (Increase) in Assets:		
Accounts Receivable	1,481	10,119
Prepaid Expenses	(7,926)	10,305
Inventory	(2,908)	(976)
Increase (Decrease) in Liabilities:		
Accounts Payable	(679)	(7,314)
Accrued Liabilities	(97,145)	15,452
Other Liabilities	3,585	(1,369)
Net Cash Provided by Operating Activities	<u>\$ 138,732</u>	<u>\$ 252,890</u>

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Beginning Net Assets	\$ 2,634,958	\$ 2,661,704
Change in Net Assets	<u>(50,797)</u>	<u>(26,746)</u>
Ending Net Assets	<u>\$ 2,584,161</u>	<u>\$ 2,634,958</u>

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

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 is considered a component unit of LMHA for reporting purposes. The Corporation receives tenant rents from its two fully owned buildings (HARR Plaza and International Plaza) and remits these rents to the Trustee. The Corporation earns and receives Housing Assistance Payments (HAP) subsidy from the U.S. Department of Housing and Urban Development (HUD).

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 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.

The trust fund arrangement with the Bank of New York Mellon was termination in May 2012.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(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, 2012 and 2011 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 \$32 and \$744 at June 30, 2012 and 2011, 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, 2012 and 2011, was \$10,727 and \$8,839, respectively.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(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 associations. 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, 2012 AND 2011
(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 \$1,026,609 and \$1,084,266 at June 30, 2012 and 2011, respectively, with a \$1,026,609 and \$1,084,266 bank balance, respectively. Of the bank balance, \$250,000 and \$250,000 were insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2012 and 2011, respectively. The remaining balance as of June 30, 2012 and June 30, 2011, of \$776,609 and \$834,266, respectively, were uninsured. The uninsured deposits were, 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:

	2012	2011
Demand Deposits	\$ 1,026,609	\$ 1,084,266
The Bank of New York Mellon Trust Accounts	0	966,711
Certificates of Deposit	500,000	700,000
	\$ 1,526,609	\$ 2,750,977

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(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:

	2012	2011
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 979,639	\$ 1,037,243
Cash Restricted for Tenant Security Deposits	46,970	47,023
Unrestricted Investments	500,000	700,000
Temporarily Restricted Investments	0	966,711
	\$ 1,526,609	\$ 2,750,977

NOTE 3: LAND, STRUCTURES, AND EQUIPMENT

	June 30, 2011	Additions	Deletions	June 30, 2012
Land	\$ 316,930	\$ 0	\$ 0	\$ 316,930
Buildings	7,825,891	103,681	0	7,929,572
Dwellings/Maintenance Equipment	170,626	19,450	0	190,076
Vehicles	12,964	0	0	12,964
Office Equipment	35,723	12,172	(6,818)	41,077
Construction in Progress	92,201	(92,201)	0	0
Total	8,454,335	43,102	(6,818)	8,490,619
Less: Accumulated Depreciation	(5,121,961)	(293,121)	6,818	(5,408,264)
Total	\$ 3,332,374	\$ (250,019)	\$ 0	\$ 3,082,355

NOTE 4: LONG-TERM DEBT

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 were scheduled to mature on July 15, 2019. Interest is payable semiannually on January 15th and July 15th. On April 4, 2012, a long agreement in the amount of \$2,000,000 with Lorain National Bank was executed. The proceeds from this loan and existing funds were used to call, on May 15, 2012, the remaining outstanding bonds at a redemption price of 100 percent in the amount of \$2,945,000.

Mortgage Loan

On April 4, 2012, a loan agreement in the amount of \$2,000,000 with Lorain National Bank was executed for the purpose of providing funds to call the outstanding bonds (stated rate of 6.375 percent). The new loan is payable in monthly installments of \$26,040, including interest at 5.75 percent.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(CONTINUED)

NOTE 4: LONG-TERM DEBT

Mortgage Loan (Continued)

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

Fiscal Year	Principal Amount	Interest Amount	Total Amount	Interest Rate (%)
2013	\$ 204,794	\$ 107,687	\$ 312,481	5.750%
2014	216,885	95,596	312,481	5.750%
2015	229,690	82,791	312,481	5.750%
2016	243,251	69,230	312,481	5.750%
2017-2019	1,071,088	57,320	1,128,408	5.750%
Totals	<u>\$1,965,708</u>	<u>\$ 412,624</u>	<u>\$2,378,332</u>	

A reconciliation of long-term liabilities are shown below:

	Balance July 1, 2011	Additions	Retired	Balance June 30, 2012	Due Within One Year
2012					
Multi-Family Housing Refunding Revenue Bonds, 1993	\$ 3,200,000	\$ 0	\$ 3,200,000	\$ 0	\$ 0
Mortgage Loan	<u>0</u>	<u>2,000,000</u>	<u>34,292</u>	<u>1,965,708</u>	<u>204,794</u>
Total 2012	<u>\$ 3,200,000</u>	<u>\$2,000,000</u>	<u>\$ 3,234,292</u>	<u>\$ 1,965,708</u>	<u>\$ 204,794</u>
	Balance July 1, 2010	Additions	Retired	Balance June 30, 2011	Due Within One Year
2011					
Multi-Family Housing Refunding Revenue Bonds, 1993	\$ 3,440,000	\$ 0	\$ 240,000	\$ 3,200,000	\$ 255,000

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. The Corporation pays LMHA a managing fee for the services rendered, which totaled \$10,402 and \$14,078 for the fiscal years ended June 30, 2012 and 2011, 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, 2012 AND 2011
(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
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 New Construction	14.182	N/A	<u>\$ 838,934</u>

See Notes to the Schedule of Expenditures of Federal Awards.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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.

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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**

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 (the Corporation) (a nonprofit organization), a component unit of the Lorain Metropolitan Housing Authority, Ohio, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. 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

Management of the Lorain County Elderly Housing Corporation is responsible for establishing and maintaining effective 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 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 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 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 and other matters 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

October 15, 2012

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

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**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**

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

Compliance

We have audited the Lorain County Elderly Housing Corporation, Lorain, Ohio's, (the Corporation) (a nonprofit organization) 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 the Lorain County Elderly Housing Corporation's major federal program for the fiscal year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2012.


Internal Control Over Compliance

Management of the Lorain County Elderly Housing Corporation 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 County Elderly Housing Corporation'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 Elderly Housing Corporation'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

October 15, 2012

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2012(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list): Section 8 Housing - CFDA# 14.182	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: >all others
2012(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, 2012**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2011.



Dave Yost • 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 18, 2012