

LAKE METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2012

Together with Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lake Metropolitan Housing Authority, Lake County, prepared by Kevin L. Penn, 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 Lake Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 5, 2013

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**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

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Independent Auditor's Report

Board of Trustees
Lake Metropolitan Housing Authority
Painesville, Ohio

I have audited the accompanying financial statements of the business-type activities of Lake Metropolitan Housing Authority, as of and for the year ended June 30, 2012, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lake Metropolitan Housing Authority, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

I was not able to obtain proper documentation to support the Authority capital assets as listed in the accompanying financial statements. As discussed in Note 12 to the financial statements, management did not maintain an adequate detailed capital asset listing to ascertain that the capital assets listed on the financial statements are fairly stated. I was not able to satisfy myself that the capital assets as listed on the financial statements are fairly presented by applying other auditing procedures.

In my opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence regarding the capital assets, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lake Metropolitan Housing Authority, Ohio, as of June 30, 2012, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 2, 2012, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While I did not opine on the internal control over financial reporting or on compliance, that report describes the scope of my testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historic context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or to provide any other assurance.

I conducted my audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Supplemental Financial Data Schedules are required by the U.S. Department of Housing and Urban Development, are not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures and Supplemental Financial Data Schedules are management's responsibility, and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

November 2, 2012

Lake Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

The Lake Metropolitan Housing Authority's (the Authority's) 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

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

FINANCIAL HIGHLIGHTS

- During FY 2012, the Authority's net assets increased by \$1,047,596 (or 15.27%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$6,859,229 and \$7,906,825 for FY 2011 and FY 2012 respectively.
- The revenue increased by \$610,269 (or 5.14%) during FY 2012, and was \$11,867,635 and \$12,477,904 for FY 2011 and FY 2012 respectively.
- The total expenses of the Authority decreased by \$548,574 (or 4.58%). Total expenses were \$11,978,882 and \$11,430,308 for FY 2011 and FY 2012 respectively.

Authority Financial Statements

The Authority financial statements are designed to be corporate-like in that all business type activities are consolidated for the entire Authority. These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The Statement is presented in the format where Assets - Liabilities = 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".

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

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

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

Lake Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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", although there may also be restrictions placed on the use of these funds.

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

The purpose of the Statement of Revenues, Expenses and Changes in Fund Net Assets is to report the agencies operating performance for the fiscal year. The "Change in Net Assets", which is similar to Net Income or Loss, is the result.

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

Fund Financial Statements

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

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

The Authority's Programs

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

Housing Choice Voucher Program – under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord.

The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Lake Metropolitan Housing Authority

MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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

In September 2011, HUD approved the use of an outstanding grant for purchase and renovation of 25 additional Public Housing units in the project currently known as the River Isle apartment complex in Willoughby, Ohio. The actual purchase of the property was completed in June 2012. The proposed project will have forty units, and is divided into two programs for reporting purposes. The twenty-five approved Public Housing units are reported as **Other Federal Programs**, and the remaining fifteen units are reported as **Business Activities**. Once completed, the 25 Public Housing units will be funded under the ACC, eligible to receive Operating Subsidy and Capital Funds. The remaining 15 units will be funded and operated from sources “other than public housing funds”.

Statement of Net Assets

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

**TABLE 1
STATEMENT OF NET ASSETS**

	FY 2011	FY 2012
Current and Other Assets	\$3,849,072	\$3,799,915
Capital Assets	<u>3,905,304</u>	<u>4,917,223</u>
Total Assets	<u>7,754,376</u>	<u>8,717,138</u>
Other Liabilities	766,674	620,226
Non-Current Liabilities	<u>128,473</u>	<u>190,087</u>
Total Liabilities	<u>895,147</u>	<u>810,313</u>
Net Assets:		
Invested in Capital Assets, net of Related Debt	3,905,304	4,917,223
Restricted	946,527	1,279,286
Unrestricted	<u>2,007,398</u>	<u>1,710,316</u>
Total Net Assets	<u>\$6,859,229</u>	<u>\$7,906,825</u>

For more detailed information see page 11 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Total assets increased by \$962,762 or 12.42% and total liabilities were decreased by \$84,834 or 9.48%. Current assets were used to extinguish liabilities. The additional Federal grant monies received for the purchase of the River Isle apartment complex was the major reason for the increase of both capital and net assets. For more detail see “Capital Assets and Debt Administration” below.

Table 2 presents details on the change in Unrestricted Net Assets and Table 3 the details on the change in Restricted Net Assets.

Lake Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

**TABLE 2
CHANGE OF UNRESTRICTED NET ASSETS**

Unrestricted Net Assets 6/30/11		\$2,007,398
Results of Operations	1,047,596	
Adjustments:		
Depreciation (1)	495,650	
Change in Restricted Net Assets	(332,759)	
Adjusted Results from Operations		1,210,487
Capital Expenditures		(1,507,569)
Unrestricted Net Assets 6/30/12		\$1,710,316

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

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

**TABLE 3
CHANGE OF RESTRICTED NET ASSETS**

Restricted Net Assets - 6/30/2011				\$ 946,527
Results from Operations:				
HAP Revenue less Expense		\$291,667		
OIG Audit Findings		32,725		
Fraud Revenue Collection		7,494		
FFS Forfeitures		<u>873</u>		
Adjusted Results from Operations				332,759
Restricted Net Assets - 6/30/2012				\$ 1,279,286

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

Lake Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Assets compared to prior year.

TABLE 4
STATEMENT of REVENUES, EXPENSES and CHANGE IN NET ASSETS

	FY 2012	FY 2011
Operating Revenue:		
HUD Operating Subsidies and Grants	\$ 10,666,288	\$ 10,771,838
Tenant Revenue	598,834	592,702
Capital Grant	-	436,589
Other Government Grants	915,396	-
Investment Income	3,980	16,702
Other Revenue	<u>293,406</u>	<u>49,804</u>
Total Operating Revenue	\$ 12,477,904	\$ 11,867,635
Operating Expenses:		
Housing Assistance Payments	\$ 8,673,776	\$ 9,053,707
Administrative Expense	1,396,256	1,505,182
Tenant Services	-	9,808
Utilities	236,981	245,744
Maintenance	444,200	510,451
Protective Services	17,986	25,044
General Expenses	153,579	201,824
Extraordinary Maintenance	11,880	-
Depreciation Expense	<u>495,650</u>	<u>427,122</u>
Total Operating Expenses	\$ 11,430,308	\$ 11,978,882
Net Increase (Decrease)	<u>\$ 1,047,596</u>	<u>\$ (111,247)</u>

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

There was a large overall increase in Net Assets as opposed to last year's decrease. There were four major categories that make up the majority of the difference, three positive and one negative.

Positive:

1. Nearly one million dollars in other government grants were received for the acquisition and other expenses related to the River Isle Apartment purchase.
2. Two hundred fifty thousand dollars was received from a remainder interest that LMHA held in the property known as Argonne Arms.
3. Overall administrative and operating expenses were down considerably over the previous fiscal year.

Lake Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

Negative:

4. There was no Capital Grant revenue for the fiscal year as compared to over four hundred thousand dollars last year. We have planned to use our outstanding Capital Grant funds for roof repairs to both Jackson Tower and Washington Square of our public housing units. Neither of those projects has begun as of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/12 the Authority had \$4,917,223 in capital assets as reflected in the following schedule, which represents a net increase of \$1,011,919 over last fiscal year end.

**TABLE 5
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

		2011		2012
Land and Land Rights		\$ 850,447		\$ 1,156,324
Building & Improvements		11,756,898		10,033,406
Equipment - Administrative		1,530,597		490,182
Equipment - Dwelling		306,511		63,017
Construction in Progress		29,571		42,140
Accumulated Depreciation		(10,568,720)		(6,867,846)
Total		\$ 3,905,304		\$ 4,917,223

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 22 of the notes.

**TABLE 6
CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Beginning Balance, July 1, 2011	\$3,905,304
Additions	1,507,569
Gain/(Loss) from Disposition	0
Depreciation	(495,650)
Ending Balance, June 30, 2012	\$4,917,223

The increase in Building & Improvements is a result of the purchase of the River Isle apartment complex and resulting Construction-In-Progress costs.

Lake Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

Debt Outstanding

As of 6/30/12 the Authority had no debt outstanding.

ECONOMIC FACTORS

Lake Metropolitan Housing Authority is dependent on HUD subsidies to administer their programs and maintain their properties. Federal budget cuts, which result in reduced operating and capital subsidy to the Agency, have a significant impact to the ongoing ability of the agency to operate their programs and maintain their facilities. LMHA currently has unrestricted reserve funds in an amount sufficient to cover modest losses in the foreseeable future, however, HUD is currently in the process of reviewing the reserve levels of all Public Housing Authorities, and has already begun implementing potential "recapture" of those funds through subsidy allocation adjustments. The agency has begun to explore other sources of housing related revenue in anticipation of uncertain future Federal subsidies.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Thomas P. Huth, Finance Manager of the Lake Metropolitan Housing Authority, 189 First Street, Painesville, Ohio, 44077.

LAKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 1)	\$ 1,079,133
Cash and Cash Equivalents - Restricted (Note 3)	1,880,340
Investments - Unrestricted	800,000
Accounts Receivable - Fraud Recovery	21,892
Allowance for Doubtful Accounts	(21,892)
Accounts Receivable - Other (Net)	10,337
Prepaid Expenses	<u>30,105</u>
Total Current Assets	3,799,915

Non-Current Assets

Capital Assets: (Note 4)	
Land	1,156,324
Building and Equipment	10,586,605
Construction in Progress	42,140
Less: Accumulated Depreciation	<u>(6,867,846)</u>
Total Non-Current Assets	<u>4,917,223</u>
TOTAL ASSETS	<u>\$ 8,717,138</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 48,842
Accrued Expenses	55,224
Intergovernmental Payables	50,838
Tenant Security Deposits	45,548
Accrued Compensated Absences	13,818
Deferred Revenue	<u>405,956</u>
Total Current Liabilities	620,226

Non-Current Liabilities

Noncurrent Liabilities - Other	134,817
Accrued Compensated Absences	<u>55,270</u>
Total Non-Current Liabilities	<u>190,087</u>
Total Liabilities	<u>\$ 810,313</u>

Net Assets

Investment in Capital Assets, Net of Related Debt	\$ 4,917,223
Restricted	1,279,286
Unrestricted	<u>1,710,316</u>
Total Net Assets	<u>\$ 7,906,825</u>

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

LAKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenue:

HUD Operating Subsidies and Grants	\$11,581,684
Tenant Revenue	598,834
Other Revenue	<u>293,338</u>
Total Operating Revenue	12,473,856

Operating Expenses:

Housing Assistance Payments	8,673,776
Administrative Expense	1,396,256
Insurance	65,788
Utilities	236,981
Maintenance	456,080
Protective Services	17,986
Depreciation Expense	495,650
General Expenses	<u>87,791</u>
Total Operating Expenses	<u>11,430,308</u>

Operating Income (Loss)	1,043,548
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Non-Operating Revenues (Expenses)

Investment Income - Unrestricted	3,980
Investment Income - Restricted	<u>68</u>
Total Non-Operating Revenues (Expenses)	4,048

Change in Net Assets	1,047,596
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Net Assets - Beginning of Year	<u>6,859,229</u>
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Net Assets - End of Year	<u><u>\$ 7,906,825</u></u>
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The accompanying notes are an integral part of the financial statements.

LAKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$(2,668,036)
Housing assistance payments	(8,673,776)
HUD operating subsidies and grants	11,718,952
Other receipts	1,298,158
Other payments	<u>(87,791)</u>
Net Cash Provided (Used) by Operating Activities	1,587,507
Cash Flows From Capital and Related Financing Activities:	
Fixed Assets Addition	<u>(1,507,569)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,507,569)
Cash Flows From Investing Activities:	
Investment Income	<u>4,048</u>
Net Cash Provided (Used) by Investing Activities	4,048
Increase (Decrease) in Cash and Cash Equivalents	83,986
Cash and Cash Equivalents - Beginning of Year	<u>3,675,487</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,759,473</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ 1,043,548
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	495,650
(Increase) decrease in:	
Accounts Receivable	135,815
Prepaid Expenses	(2,672)
Increase (decrease) in:	
Accounts Payable	(515,883)
Compensated Absences	21,621
Deferred Revenue	405,956
Tenant Security Deposits	717
Accrued Expenses	<u>2,755</u>
Net cash used in operating activities	<u>\$ 1,587,507</u>

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

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - Summary of Significant Accounting Policies:

Organization and Reporting Entity

The Lake Metropolitan Housing Authority (the Authority) 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. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The Authority depends on the subsidies from HUD to operate.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 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. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has no component units that are presented in the financial statements.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - Summary of Significant Accounting Policies: (continued)

Basis of Presentation (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of programs

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

A. Public Housing Program

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

B. Capital Fund Program

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

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - Summary of Significant Accounting Policies: (continued)

C. Housing Choice Voucher Program

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

D. Public Housing Development Program

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

E. State and Local

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

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Effective July 1, 2003, the Authority made a change in the presentation of its cash flow statement. The Authority is now presenting cash and cash equivalents (including certificates of deposit) in the cash flow statement.

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - Summary of Significant Accounting Policies: (continued)

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$5,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings and Improvements	15 to 40 years
Furniture, Fixtures and Equipment	3 to 10 years
Vehicles	5 years

Total depreciation expense for the 2012 fiscal year was \$495,650.

Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2012 totaled \$4,048.

Compensated Absences

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

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

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - Summary of Significant Accounting Policies: (continued)

Compensated Absences (continued)

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

The following is a summary of changes in compensated absence for the fiscal year ending June 30, 2012:

<u>Balance at 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/12</u>	<u>Due Within One Year</u>
\$ 59,334	\$ 57,506	\$ 47,752	\$ 69,088	\$ 13,818

Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

Operating Revenues and Expenses

Operating revenues are those revenue that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

Accrued Interest Receivable

Accrued interest receivable represents the amount of interest earned but not collected on certificates of deposits as of the balance sheet date. Interest is collected upon maturity.

Interfund Receivables/Payables

The Authority reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - Summary of Significant Accounting Policies: (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net assets. Net assets restricted by HUD was \$1,279,286.

NOTE 2 – Deposits and Investments:

The provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

A. Deposits

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

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

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

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

At year-end, the carrying amount of the Authority's deposits was \$3,759,473 (including \$207 of petty cash) and the bank balance was \$3,778,856.

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 – Deposits and Investments: (continued)

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. The financial institution collateral pool that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$932,706 was covered by Federal Depository and \$2,846,150 was covered by the collateral pool.

B. Investments

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. However, at June 30, 2012, the Authority investments were limited to certificates of deposits.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 – Deposits and Investments: (continued)

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee.

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years < 1)</u>
Carrying Amount of Deposits	\$3,759,266	\$ 3,759,266
Petty Cash	<u>207</u>	<u>207</u>
Totals	<u>\$3,759,473</u>	<u>\$3,759,473</u>

NOTE 3 – Restricted Cash:

Restricted cash balance as of June 30, 2012 of \$1,880,340 represents the following:

Unspent funding provided by HUD to make Housing Assistance Payments in the Housing Choice Voucher Program	\$1,279,286
Unspent Development Program funding provided by HUD	420,689
Family Self-Sufficiency Escrows	134,817
Tenant Security Deposits	<u>45,548</u>
Total	<u>\$1,880,340</u>

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 – Capital Assets:

A summary of capital assets at June 30, 2012, by class is as follows:

	<u>6/30/2011</u>	Reclasses	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2012</u>
Capital Assets Not Being Depreciated					
Land	\$ 850,447	\$ 0	\$ 305,877	\$ 0	\$ 1,156,324
Construction in Progress	<u>29,571</u>	<u> </u>	<u>12,569</u>	<u>0</u>	<u>42,140</u>
Total Capital Assets Not Being Depreciated	<u>880,018</u>	<u> </u>	<u>318,446</u>	<u>0</u>	<u>1,198,464</u>
Capital Assets Being Depreciated					
Buildings and Improvements	11,705,854		1,189,123	(2,861,571)	10,033,406
Furniture, Equipment, and Machinery	<u>1,888,152</u>	<u>0</u>	<u> </u>	<u>(1,334,953)</u>	<u>553,199</u>
Subtotal Capital Assets Being Depreciated	13,594,006	0	1,189,123	(4,196,524)	10,586,605
Accumulated Depreciation:					
Buildings and Improvements	(9,029,555)		(482,797)	2,861,571	(6,650,781)
Furniture, Equipment and Machinery	<u>(1,539,165)</u>	<u>0</u>	<u>(12,853)</u>	<u>1,334,953</u>	<u>(217,065)</u>
Total Accumulated Depreciation	<u>(10,568,720)</u>	<u>0</u>	<u>(495,650)</u>	<u>4,196,524</u>	<u>(6,867,846)</u>
Depreciable Assets, Net	<u>3,025,286</u>	<u>0</u>	<u>693,473</u>	<u>0</u>	<u>3,718,759</u>
Total Capital Assets, Net	<u>\$ 3,905,304</u>	<u>\$ 0</u>	<u>\$1,011,919</u>	<u>\$ 0</u>	<u>\$ 4,917,223</u>

NOTE 5: Defined Benefit Pension Plan:

Ohio Public Employees Retirement System

The Authority 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 a 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 may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800222-7377.

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 5: Defined Benefit Pension Plan: (continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2012 was 14.0 percent (of which 8.5 percent relates to pension contributions) of covered payroll.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2012, 2011 and 2010 were \$132,707; \$131,291 and \$127,560 respectively; 100 percent has been contributed for 2012, 2011 and 2010.

NOTE 6- Post Employment Benefits:

A. Plan Description

The 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 postemployment health care plan, which includes a medical plan, 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.

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

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement 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. For 2012 and 2011, the employer contribution allocated to the health care plan was 4.23 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage 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 \$52,135.

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

NOTE 7 - Risk Management:

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Lake is one.

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with OMER-Esa for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 8 - Contingent Liabilities:

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2012 the PHA was involved in such a matter. While the outcome of this matter cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

NOTE 9 - Schedule of Expenditures of Federal Awards:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lake Metropolitan Housing Authority and is presented on the accrued basis of accounting. 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.

CFDA number 14.850 – Low Rent Public Housing consist of the following:

\$ 697,262	Public Housing Subsidy
<u>915,396</u>	River Isle Development Grant
<u>\$1,612,658</u>	Total

NOTE 10 – Economic Dependency:

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

NOTE 11- Construction and Other Commitments:

The Authority had no material operating lease commitments or material capital or construction commitments at June 30, 2012.

NOTE 12 – Capital Assets:

The Authority has recorded \$3,876,737 in building and land improvements based on the County Auditor's assessed valuation, as a result 34% of the Authority's fixed assets are not recorded in accordance with accounting principles generally accepted in the United State of America. In addition, the depreciation schedule is not in sufficient detail to determine if the assets are still owned and in working condition or if they were disposed off in prior fiscal years.

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

**LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 13 - Subsequent Events:

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 2, 2012, the date on which the financial statements were available to be issued, noting that as of September 11, 2012, the Authority is in the process of appealing several issues to the Court of Appeals. It is the opinion of legal council, that the appeals will be successful.

NOTE 14 – Interprogram Receivables/Payables:

Interprogram balance at June 30, 2012, consists of the following receivables and payables:

	<u>Due From</u>	<u>Due to</u>
Public Housing Program	\$ 17,662	\$ 2,835
Housing Choice Voucher Program		\$ 17,662
River Isle – Business Activities	\$ 1,063	
River Isle - Development	\$ 1,772	

These interprogram Due From/Due To arise from housing assistance payments and the repayment of funds from the non-federal program to the proper federal program. These balances are eliminated for the Statement of Net Assets on page 11.

Lake Metropolitan Housing Authority
Statement of Net Assets
June 30, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Development	State & Local	Housing Choice Voucher	Public Housing (Project)	Business Activities	Total
111	Cash - Unrestricted		\$ 432,706	\$ 325,131	\$ 321,296	\$ -	\$ 1,079,133
113	Cash - Other Restricted	\$ 420,689		1,414,103	45,548		1,880,340
100	Total Cash	420,689	432,706	1,739,234	366,844	-	2,959,473
126	Acct. Rec. - Tenants				11,337		11,337
126.1	Allowance Doubtful Accts. - Tenants				(1,000)		(1,000)
128	Fraud Recovery			21,892			21,892
128.1	Allowance Doubtful Accts.			(21,892)			(21,892)
120	Net Total Receivables	-	-	-	10,337		10,337
131	Investments-Unrestricted			300,000	500,000		800,000
142	Prepaid Expenses			330	29,775		30,105
144	Inter Program Due From			17,662	2,835		20,497
150	Total Current Assets	420,689	432,706	2,057,226	909,791	-	3,820,412
161	Land	336,741			692,731	126,852	1,156,324
162	Buildings	695,975		21,652	8,822,631	493,148	10,033,406
163	Furniture, Equip. & Mach. - Dwellings				63,017		63,017
164	Furniture, Equip. & Mach. - Admin.			81,668	408,514		490,182
166	Accumulated Depreciation	(1,450)		(29,740)	(6,835,629)	(1,027)	(6,867,846)
167	Construction in Progress	40,396			-	1,744	42,140
160	Net Fixed Assets	1,071,662	-	73,580	3,151,264	620,717	4,917,223
190	TOTAL ASSETS	\$ 1,492,351	\$ 432,706	\$ 2,130,806	\$ 4,061,055	\$ 620,717	\$ 8,737,635
312	A/P <= 90 days			\$ 2,798	\$ 46,082		\$ 48,880
321	Accrued Wage/Taxes Payable				41,555		41,555
322	Accrued Compensated Absences - Current Portion			8,268	5,550		13,818
333	Accounts Payable - Other Government				50,800		50,800
341	Tenant Security Deposits				45,548		45,548
342	Deferred Revenue	405,956					405,956
346	Accrued Liabilities - Other	9,981				3,688	13,669
347	Inter Program - Due To	1,772	-		17,662	1,063	20,497
310	Total Current Liabilities	417,709	-	11,066	207,197	4,751	640,723
353	Non-current Liabilities - Other			134,817			134,817
354	Accrued Comp. Abs. - Noncurrent			33,071	22,199		55,270
	TOTAL Liabilities	417,709	-	178,954	229,396	4,751	830,810
508.1	Invested in Capital Assets Net	1,071,662		73,580	3,151,264	620,717	4,917,223
511.1	Restricted Net Assets		-	1,279,286	-		1,279,286
512.1	Unrestricted Net Assets	2,980	432,706	598,986	680,395	(4,751)	1,710,316
513	TOTAL Equity/Net Assets	1,074,642	432,706	1,951,852	3,831,659	615,966	7,906,825
600	TOTAL LIAB. & EQUITY	\$ 1,492,351	\$ 432,706	\$ 2,130,806	\$ 4,061,055	\$ 620,717	\$ 8,737,635

Lake Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing			Public	Business Activities	Total
		Development	State & Local	Choice Voucher	Housing (Project)		
703	Net Tenant Rental Revenue				\$ 588,083	\$ -	\$ 588,083
704	Tenant Revenue - Other				10,751		10,751
705	Total Tenant Revenue				598,834	-	598,834
706	HUD PHA Operating Grants			9,855,368	810,920		10,666,288
708	Other Government Grants	\$ 915,396					915,396
711	Investment Income - Unrestricted		3,424	507	49		3,980
714	Fraud Recovery			14,988			14,988
715	Other Revenue	5,269	269,845	61			275,175
716	Gain or Loss on Sale of Capital Assets			3,175			3,175
720	Investment Income - Restricted	68	-	-	-		68
700	TOTAL REVENUE	920,733	273,269	9,874,099	1,409,803	-	12,477,904
911	Admin Salaries			567,715	225,744		793,459
912	Audit			7,169	4,779		11,948
915	Employee Benefits			214,053	85,115		299,168
917	Legal Expense			5,024	13,172		18,196
918	Travel			12,639	6,809		19,448
919	Other	226	6,309	149,391	97,781	330	254,037
	Total Operating - Admin.	226	6,309	955,991	433,400	330	1,396,256
931	Water			468	43,908		44,376
932	Electricity	-	-	3,254	159,990		163,244
933	Gas				29,164		29,164
938	Other Utilities			197			197
930	Total Utilities	-	-	3,919	233,062	-	236,981
941	Ordinary Maint. & Operations - Labor				180,303		180,303
942	Ordinary Maint. & Operations - Materials & Other			4,381	93,422		97,803
943	Ordinary Maint. & Operations - Contracts	549	-	-	97,563		98,112
945	Employee Benefits Contributions - Ordinary Maint.				67,982		67,982
940	Total Maintenance	549	-	4,381	439,270	-	444,200

Lake Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

<u>Line item</u>	<u>Account Description</u>	<u>Development</u>	<u>State & Local</u>	<u>Housing Choice Voucher</u>	<u>Public Housing (Project)</u>	<u>Business Activities</u>	<u>Total</u>
952	Protective Services - Other Contract Costs	-	-	-	17,986		17,986
950	Total Protective Services	-	-	-	17,986	-	17,986
961.1	Property Insurance				55,920		55,920
961.2	Insurance - Liab. Insurance			9,868			9,868
961	Total Insurance	-	-	9,868	55,920	-	65,788
962	Other General Expenses	1,582	8,204	7,992	2,881		20,659
962.1	Compensated Absences			6,710	3,043		9,753
963	Payments in Lieu of Taxes				36,577		36,577
964	Bad Debt - Tenant Rents	-	-	-	20,802		20,802
960	Total Other General Expenses	1,582	8,204	14,702	63,303	-	87,791
	TOTAL OPERATING EXPENSES	2,357	14,513	988,861	1,242,941	330	2,246,645
970	Excess Operating Revenue over Expenses	918,376	258,756	8,885,238	166,862	(330)	9,310,526
971	Extraordinary Maintenance				11,880		11,880
973	Housing Assistance Payments			8,673,776			8,673,776
974	Depreciation Expense	1,450		12,853	480,320	1,027	495,650
900	TOTAL EXPENSES	3,807	14,513	9,675,490	1,735,141	1,357	11,426,501
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 916,926	\$ 258,756	\$ 198,609	\$ (325,338)	\$ (1,357)	\$1,047,596

Lake Metropolitan Housing Authority
Additional Information Required by HUD
For the Year Ended June 30, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

<u>Line item</u>	<u>Account Description</u>	<u>Housing Choice Voucher</u>	<u>Public Housing (Project)</u>
11170	Administrative Fee Equity	\$ 672,566	\$ -
11180	Housing Assistance Payment Equity	\$ 1,279,286	\$ -
11190	Unit Months Available	17,484	2,868
11210	Number of Unit Months Leased	16,073	2,863

Lake Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Direct Program:		
Public Housing Capital Fund Program	14.872	\$ 113,658
Low Rent Public Housing	14.850	1,612,658
Housing Choice Voucher	14.871	<u>9,855,368</u>
Total Federal Financial Assistance		<u><u>\$ 11,581,684</u></u>

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



Certified Public Accountant
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Trustees
Lake Metropolitan Housing Authority
Painesville, Ohio

I have audited the financial statements of Lake Metropolitan Housing Authority (the Authority) as of and for the year ended June 30, 2012, and have issued my report thereon dated November 2, 2012. I qualified my report on the business-type activities because management did not maintain an adequate detailed capital asset listing to ascertain that the capital assets listed on the financial statements are fairly stated and exist. Accounting principles generally accepted in the United State of America requires that accounting records be maintain to properly support the amounts listed on the financial statements. I conducted my audit in accordance with generally accepted auditing standards 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 Lake Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Lake Metropolitan Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Metropolitan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lake Metropolitan Housing Authority's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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.

I consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. 2012-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Metropolitan Housing Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of Lake Metropolitan Housing Authority in a separate letter dated November 2, 2012.

The Authority's response to the finding identified in my audit is described in the accompanying Schedule of Findings. I did not audit the Authority's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, those charged with governance and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

November 2, 2012



Certified Public Accountant
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Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Lake Metropolitan Housing Authority
Painesville, Ohio

Compliance

I have audited Lake Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lake Metropolitan Housing Authority's major federal programs for the year ended June 30, 2012. Lake Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Metropolitan Housing Authority's management. My responsibility is to express an opinion on Lake Metropolitan Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Lake Metropolitan Housing Authority's compliance with those requirements.

As described in item 2012-1 in the accompanying schedule of findings, Lake Metropolitan Housing Authority did not comply with requirements regarding equipment and real property management that are applicable to its Low Rent Public Housing Program. Compliance with this requirement is necessary, in my opinion, for the Authority to comply with requirements applicable to this program.

In my opinion, except for the noncompliance described in the preceding paragraph, Lake Metropolitan Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Lake Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, I considered Lake Metropolitan Housing Authority'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 my 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, I do not express an opinion on the effectiveness of Lake Metropolitan Housing Authority's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2012-1 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2012-2 and 2012-3 to be significant deficiencies.

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

I intend this report solely for the information and use of the management, others within the Authority and federal awarding agencies. It is not intended for anyone other than these specified parties.

Kevin L. Penn, Inc.

November 2, 2012

Lake Metropolitan Housing Authority
 Schedule of Findings
 June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	Yes
Significant Deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major program:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
14.871	Housing Choice Vouchers
14.850	Low Rent Public Housing
Dollar threshold used to distinguish between Type A and Type B programs:	\$347,451 (Type A)
Auditee qualified as low-risk auditee?	No

Lake Metropolitan Housing Authority
Schedule of Findings
June 30, 2012

Section II - Financial Statement Findings
Section III - Federal Award Findings

2012-1

U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)

Fixed Assets Valuation

Condition:

The Authority has recorded \$3,876,737 in building and land improvements based on the County Auditor's assessed valuation, as a result 34% of the Authority's fixed assets are not recorded in accordance with accounting principles generally accepted in the United State of America. In addition, the depreciation schedule is not in sufficient detail to determine if the assets are still owned and in working condition or if they were disposed off in prior fiscal years. Furthermore, I was not able to satisfy myself that the capital assets as listed on the financial statements are fairly presented by applying other auditing procedures.

Due to the original recordkeeping maintained by the Authority, pertaining to the \$3,876,737 the condition noted above will be repeated until the net book value of the fixed asset is determined to be immaterial. As of June 30, 2012 the net book value is \$853,211.

Criteria:

The requirements for equipment are contained in the A-102 Common Rule (§____.32), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

Local governments and subgrantees shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Basically the A-102 Common Rule require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Property and equipment records shall be maintained, an appropriate control system shall be used to safeguard property and equipment, and property and equipment shall be adequately maintained.

In addition reported costs for building and land improvements should be based on the historical cost.

Effect:

Was unable to determine whether capital assets were fairly presented as of June 30, 2012.

Cause:

Inadequate accounting records were maintained for fixed assets.

Lake Metropolitan Housing Authority
Schedule of Findings
June 30, 2012

2012-1

U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)

Fixed Assets Valuation (continued)

Recommendation:

The Authority should continue the process of locating additional documentation, in order to support the building and land improvements referred to above. In addition, future reported costs for building and land improvements should be based on the historical cost.

Planned Corrective Action:

The Authority has been in contact with the Department of Housing and Urban Development in order to resolve this issue, and is working diligently to locate documentations to reduce the significance of this condition.

Anticipated Completion Date:

June 30, 2013

Responsible Contact Person:

Finance Manager

Section III - Federal Award Findings

2012-2

U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)

Tenant Files – Housing Choice Voucher Program

Condition:

During the testing of tenant files, the following weaknesses in the Authority's procedures and controls were noted:

Move-Ins:

1. In sixteen (16) out of thirty-five (35) files tested, the rent computation worksheet was not signed by the tenant.
2. In two (2) out of thirty-five (35) files tested, the rent computation worksheet was not maintained in the tenant's file.
3. In twenty-six (26) out of thirty-five (35) files tested, the debt owed to Public Housing and termination form was not maintained in the tenant's file.

Lake Metropolitan Housing Authority
Schedule of Findings
June 30, 2012

Section III - Federal Award Findings

2012-2

U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)

Tenant Files – Housing Choice Voucher Program (continued)

Condition:

4. In three (3) out of thirty-five (35) files tested, the debt owed to Public Housing and termination form was not signed by the tenant.
5. In eleven (11) out of thirty-five (35) files tested, the 50058 Certification Statement was not signed by a representative of the Housing Authority.
6. In two (2) out of thirty-five (35) files tested, the tenancy addendum was not maintained in the tenant's file.
7. In one (1) out of thirty-five (35) files tested, the voucher was not maintained in the tenant's file.
8. In one (1) out of thirty-five (35) files tested, the HUD Form 92006, Supplement to Application for Federally Assisted Housing was not maintained in the tenant's file.
9. There were three (3) instances; whereby the tenant's file could not be located. As a result, there is potential questioned costs of \$2,965.
10. In one (1) out of thirty-five files tested, the tenant appeared on the waiting list for Public Housing.
11. In seven (7) out of thirty-five (35) files tested, income was improperly computed by the Housing Authority, resulting in \$3,834 in overpayment in subsidies.

Condition:

Recertification:

1. There were three (3) instances; whereby the tenant's files could not be located. As a result, there is potential questioned costs of \$20,508.
2. In eight (8) out of forty (40) files tested, the rent computation worksheet was not signed by the tenant.

Move-outs:

1. There was one instance whereby, the tenant file could not be located.

Criteria:

Tenant files should be maintained in accordance with HUD guidelines and the Administrative Plan.

Lake Metropolitan Housing Authority
Schedule of Findings
June 30, 2012

Section III - Federal Award Findings (continued)

2012-2

U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)

Tenant Files – Housing Choice Voucher Program (continued)

Effect:

Procedures and controls relating to tenant files processing were inadequate.

Cause:

Oversight by management and staff turnover.

Recommendation:

The Authority should maintained the tenant files, pertaining to the Housing Choice Voucher program in accordance with guidelines established by the U.S. Department of Housing and Urban Development and the Administrative Plan. By performed these procedures, the risk of potential overcharges and files being processed inadequately, will be significant reduced.

Planned Corrective Action:

The Authority will maintain the tenant files, pertaining to the Housing Choice Voucher program in accordance with guidelines established by the U.S. Department of Housing and Urban Development and the Administrative Plan. By performing these procedures, the risk of potential overcharges and files being processed inadequately will be significantly reduced.

In addition, the Authority will ensure that proper training and oversight of staff is in place in order to remain in compliance with policies and procedures. This will require some staff restructuring and reallocation of position responsibilities.

Anticipated Completion Date:

March 1, 2013.

Responsible Contact Person:

Housing Choice Voucher Manager

Lake Metropolitan Housing Authority
Schedule of Findings
June 30, 2012

Section III - Federal Award Findings (continued)

2012-3

U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)
Low Rent Public Housing (CFDA # 14.850)

Waiting List

Condition:

During the testing of tenant files relating to move-ins, the Authority did not properly document the selection of an applicant for admission from the waiting list.

Criteria:

The Authority must have written policies in their administrative plan for selecting applicants from the waiting list, and there must be documentation, showing the Authority follows these policies when selecting applicants for admission from the waiting list.

Effect:

Was unable to determine whether applicants were selected for admission from the waiting list in accordance with the Authority's policies.

Cause:

Lack of administrative internal controls regarding the waiting list.

Recommendation:

The Authority needs to comply with the written policies identified in the administrative plan for selecting applicants from the waiting list. In addition, there must be documentation, showing the Authority follows these policies when selecting applicants for admission from the waiting list.

Planned Corrective Action:

Follow-up on implementation of last year's corrective action will be reviewed. Waitlist policy and procedures will be reviewed for procedural efficiency. Revision or development of the policies will occur and applicable staff will be trained on any revisions or additions.

The Authority will comply with the written policies identified in the Administrative Plan for selecting applicants from the waiting list. In addition, the Authority will maintain documentation showing the Authority follows the policies when selecting applicants for admission from the waiting list.

Lake Metropolitan Housing Authority
Schedule of Findings
June 30, 2012

2012-3

U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)
Low Rent Public Housing (CFDA # 14.850)

Waiting List (continued)

Planned Corrective Action: (continued)

In addition, the Authority will ensure that proper training and oversight of staff is in place in order to remain in compliance with policies and procedures. This will require some staff restructuring and reallocation of position responsibilities.

Anticipated Completion Date:

March 1, 2013

Responsible Contact Person:

Housing Choice Voucher Manager and Public Housing Manager.

Lake Metropolitan Housing Authority
 Summary Schedule of Prior Audit Findings
 Year Ended June 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-1 U.S. Department of HUD Low Rent Public Housing (CFDA # 14.850)	A reconciliation between the physical inventory, the financial statements and accounting records has not been performed as of June 30, 2011. The depreciation schedule is not maintained in adequate detailed to identify all assets owned.	No	The physical inventory condition has been corrected. However, the depreciation schedule condition will be repeated in the 2012 audit.
2011-2 U.S. Department of HUD Housing Choice Voucher Program (CFDA # 14.871)	Procedures and controls relating to the Housing Choice Voucher program tenant files processing were inadequate.	No	This finding will be repeated in the 2012 audit.
2011-3 U.S. Department of HUD Housing Choice Voucher Program (CFDA # 14.871)	During the testing of tenant files relating to move-ins, the Authority did not properly document the selection of an applicant for admission from the waiting list.	No	This finding will be repeated in the 2012 audit.

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Dave Yost • Auditor of State

LAKE METROPOLITAN HOUSING AUTHORITY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2013**