

LORAIN METROPOLITAN HOUSING AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2002 and 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Lorain Metropolitan Housing Authority
Lorain, OH 44052

We have reviewed the Independent Auditor's Report of the Lorain Metropolitan Housing Authority, Lorain County, prepared by Barnes Wendling CPAs, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 23, 2002

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LORAIN METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

August 27, 2002

To the Board of Commissioners of
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have audited the accompanying balance sheets of Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit, Lorain County Elderly Housing Corporation (LCEHC), a not for profit entity, as of June 30, 2002 and 2001 and the related statements of revenue and expenses, and changes in equity and the statements of cash flows for the fiscal years then ended. These financial statements are the responsibility of the management of Lorain Metropolitan Housing Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Lorain Metropolitan Housing Authority as of June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note C to the financial statements, LMHA and the component unit changed their method of accounting for ranges and refrigerators during the year ended June 30, 2001.

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To the Board of Commissioners of
Lorain Metropolitan Housing Authority
Lorain, Ohio
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2002 on our consideration of Lorain Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Lorain Metropolitan Housing Authority. The schedule of expenditures of federal awards is presented as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The combining Financial Data Schedule (FDS) is presented for additional analysis as required by the Department of Housing and Urban Development ("HUD"). These schedules are the responsibility of management of Lorain Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Barnes Wendling CPAs, Inc.

LORAIN METROPOLITAN HOUSING AUTHORITY

Balance Sheets

| | June 30, 2002 | | |
|--|--|--|-----------------------------|
| | Lorain Metropolitan Housing Authority | Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
| ASSETS | | | |
| Current Assets | | | |
| Cash and equivalents: | | | |
| Cash and cash equivalents | \$ 6,181,913 | \$ 2,629,403 | \$ 8,811,316 |
| Cash - restricted | 98,057 | | 98,057 |
| Cash - tenant security deposits | 136,398 | 36,555 | 172,953 |
| | <u>6,416,368</u> | <u>2,665,958</u> | <u>9,082,326</u> |
| Accounts and notes receivables: | | | |
| Accounts receivable - PHA projects | 4,967 | 10,737 | 15,704 |
| Accounts receivable - HUD other projects | 642,247 | | 642,247 |
| Accounts receivable - miscellaneous | 4,550 | | 4,550 |
| Accounts receivable - tenants | 45,197 | 5,579 | 50,776 |
| Fraud recovery receivable | 103,971 | | 103,971 |
| | <u>800,932</u> | <u>16,316</u> | <u>817,248</u> |
| Investments - restricted | | 836,895 | 836,895 |
| Inventories | 246,157 | | 246,157 |
| Prepaid expenses and other assets | 69,178 | 1,789 | 70,967 |
| Interprogram due from other entities | 149,831 | | 149,831 |
| TOTAL CURRENT ASSETS | <u>7,682,466</u> | <u>3,520,958</u> | <u>11,203,424</u> |
| NonCurrent Assets | | | |
| Land, structures, and equipment | 57,495,289 | 6,745,091 | 64,240,380 |
| Less accumulated depreciation | (27,203,677) | (3,255,233) | (30,458,910) |
| | <u>30,291,612</u> | <u>3,489,858</u> | <u>33,781,470</u> |
| TOTAL NONCURRENT ASSETS | <u>30,291,612</u> | <u>3,489,858</u> | <u>33,781,470</u> |
| TOTAL ASSETS | <u>\$37,974,078</u> | <u>\$ 7,010,816</u> | <u>\$44,984,894</u> |

See Notes to Financial Statements

| | Lorain Metropolitan Housing Authority | Restated June 30, 2001 Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
|--|--|---|-----------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and equivalents: | | | |
| Cash and cash equivalents | \$ 4,668,825 | \$ 2,667,558 | \$ 7,336,383 |
| Cash - restricted | 73,584 | | 73,584 |
| Cash - tenant security deposits | -0- | 35,638 | 35,638 |
| | <u>4,742,409</u> | <u>2,703,196</u> | <u>7,445,605</u> |
| Accounts receivable - HUD other projects | 77,019 | | 77,019 |
| Accounts receivable - miscellaneous | | 1,230 | 1,230 |
| Accounts receivable - tenants | 24,453 | 1,490 | 25,943 |
| Accrued interest receivable | 117,549 | 747 | 118,296 |
| Fraud recovery receivable | 118,590 | | 118,590 |
| | <u>337,611</u> | <u>3,467</u> | <u>341,078</u> |
| Investments - unrestricted | 1,884,126 | 152,730 | 2,036,856 |
| Investments - restricted | 267,730 | 710,583 | 978,313 |
| Inventories | 243,514 | | 243,514 |
| Prepaid expenses and other assets | 66,514 | 1,865 | 68,379 |
| Interprogram due from other entities | | 34,168 | 34,168 |
| TOTAL CURRENT ASSETS | <u>7,541,904</u> | <u>3,606,009</u> | <u>11,147,913</u> |
| Noncurrent Assets | | | |
| Land, structures, and equipment | 55,862,290 | 6,377,295 | 62,239,585 |
| Less accumulated depreciation | (25,141,137) | (3,094,960) | (28,236,097) |
| | 30,721,153 | 3,282,335 | 34,003,488 |
| TOTAL NONCURRENT ASSETS | <u>30,721,153</u> | <u>3,282,335</u> | <u>34,003,488</u> |
| TOTAL ASSETS | <u>\$38,263,057</u> | <u>\$ 6,888,344</u> | <u>\$45,151,401</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Balance Sheets

| | June 30, 2002 | | |
|---|--|--|-----------------------------|
| | Lorain Metropolitan Housing Authority | Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
| LIABILITES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 336,140 | \$ 31,064 | \$ 367,204 |
| Accrued wages and payroll taxes | 140,849 | 10,795 | 151,644 |
| Accrued compensated absences | 237,993 | 15,383 | 253,376 |
| Accrued interest payable | | 142,000 | 142,000 |
| Accounts payable - HUD PHA programs | 21,067 | | 21,067 |
| Accounts payable - PILOT and other | 50,241 | 24,244 | 74,485 |
| Tenant security deposits | 136,398 | 36,555 | 172,953 |
| Current portion of long-term debt | | 145,000 | 145,000 |
| Other current liabilities | 97,284 | 200 | 97,484 |
| Interprogram due to other entities | | 149,831 | 149,831 |
| TOTAL CURRENT LIABILITIES | <u>1,019,972</u> | <u>555,072</u> | <u>1,575,044</u> |
| NonCurrent Liabilities | | | |
| Long-term debt, net of current portion | | 4,750,000 | 4,750,000 |
| Noncurrent liabilities - FSS escrow and others | 199,964 | | 199,964 |
| TOTAL NONCURRENT LIABILITIES | <u>199,964</u> | <u>4,750,000</u> | <u>4,949,964</u> |
| TOTAL LIABILITIES | 1,219,936 | 5,305,072 | 6,525,008 |
| Equity | | | |
| Contributed capital: | | | |
| Net HUD PHA contributions | 26,313,542 | | 26,313,542 |
| Other contributions | 20,500 | | 20,500 |
| | <u>26,334,042</u> | | <u>26,334,042</u> |
| Retained earnings | <u>10,420,100</u> | <u>1,705,744</u> | <u>12,125,844</u> |
| TOTAL EQUITY | <u>36,754,142</u> | <u>1,705,744</u> | <u>38,459,886</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$37,974,078</u> | <u>\$ 7,010,816</u> | <u>\$44,984,894</u> |

See Notes to Financial Statements

| | Lorain Metropolitan Housing Authority | Restated June 30, 2001 Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
|--|--|---|-----------------------------|
| LIABILITES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 175,996 | \$ 119,097 | \$ 295,093 |
| Accrued wages and payroll taxes | 102,307 | 7,079 | 109,386 |
| Accrued compensated absences | 248,136 | 12,917 | 261,053 |
| Accrued interest payable | | 145,000 | 145,000 |
| Accounts payable - HUD PHA Programs | 272,979 | | 272,979 |
| Accounts payable - PILOT and other | 63,255 | 22,159 | 85,414 |
| Tenant security deposits | 130,488 | 35,638 | 166,126 |
| Deferred revenue - prepaid HUD annual contribution | 1,136,226 | | 1,136,226 |
| Current portion of long-term debt | | 140,000 | 140,000 |
| Interprogram due to other entities | <u>34,168</u> | | <u>34,168</u> |
| TOTAL CURRENT LIABILITIES | <u>2,163,555</u> | <u>481,890</u> | <u>2,645,445</u> |
| NonCurrent Liabilities | | | |
| Long-term debt, net of current portion | | 4,895,000 | 4,895,000 |
| Non-current liabilities - FSS escrow and other | <u>419,589</u> | | <u>419,589</u> |
| TOTAL NONCURRENT LIABILITIES | <u>419,589</u> | <u>4,895,000</u> | <u>5,314,589</u> |
| TOTAL LIABILITIES | 2,583,144 | 5,376,890 | 7,960,034 |
| Equity | | | |
| Contributed capital: | | | |
| Net PHA HUD contributions | 29,664,216 | | 29,664,216 |
| Other contributions | <u>20,501</u> | | <u>20,501</u> |
| | 29,684,717 | | 29,684,717 |
| Retained earnings | <u>5,995,196</u> | <u>1,511,454</u> | <u>7,506,650</u> |
| TOTAL EQUITY | <u>35,679,913</u> | <u>1,511,454</u> | <u>37,191,367</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$38,263,057</u> | <u>\$ 6,888,344</u> | <u>\$45,151,401</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Revenues and Expenses

| | June 30, 2002 | | |
|---|--|--|-----------------------------|
| | Lorain Metropolitan Housing Authority | Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
| Revenue | | | |
| Net tenant rental revenue | \$ 1,749,805 | \$ 463,917 | \$ 2,213,722 |
| Tenant revenue - other | 145,340 | 9,750 | 155,090 |
| Total tenant revenue | <u>1,895,145</u> | <u>473,667</u> | <u>2,368,812</u> |
| HUD PHA operating grants | 19,834,872 | 751,324 | 20,586,196 |
| Capital grants | 1,807,809 | 40,181 | 1,847,990 |
| Fraud recovery | 38,075 | | 38,075 |
| Other revenue | 405,427 | 1,000 | 406,427 |
| Gain (loss) on the sale of fixed assets | 335,976 | | 335,976 |
| Total revenue | <u>24,317,304</u> | <u>1,266,172</u> | <u>25,583,476</u> |
| Expenses | | | |
| Administrative | 2,804,388 | 234,230 | 3,038,618 |
| Tenant services | 290,261 | | 290,261 |
| Utilities | 1,077,837 | 207,899 | 1,285,736 |
| Ordinary maintenance and operation | 2,360,604 | 267,256 | 2,627,860 |
| Protective services | 331,394 | 23,530 | 354,924 |
| Insurance premiums | 142,448 | 8,363 | 150,811 |
| Other general expenses | 8 | | 8 |
| Payments in lieu of taxes | 50,663 | 24,244 | 74,907 |
| Bad debt - tenant rents | 46,807 | (837) | 45,970 |
| Severance expense | 57,569 | | 57,569 |
| Extraordinary maintenance | 205,195 | 1,753 | 206,948 |
| Casualty losses - non-capitalized | 30,892 | (200) | 30,692 |
| Housing assistance payments | 13,948,339 | | 13,948,339 |
| Depreciation expense | 2,188,791 | 160,273 | 2,349,064 |
| Total operating expenses | <u>23,535,196</u> | <u>926,511</u> | <u>24,461,707</u> |
| Operating income | 782,108 | 339,661 | 1,121,769 |
| Other income (expense) | | | |
| Investment income - unrestricted | 293,210 | 147,620 | 440,830 |
| Investment income - restricted | 11,901 | 17,340 | 29,241 |
| Interest expense | (12,990) | (310,331) | (323,321) |
| Total other income (expense) | <u>292,121</u> | <u>(145,371)</u> | <u>146,750</u> |
| Excess revenue over expenses | <u>\$ 1,074,229</u> | <u>\$ 194,290</u> | <u>\$ 1,268,519</u> |

See Notes to Financial Statements

| | Lorain Metropolitan Housing Authority | Restated June 30, 2001 Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
|---|--|---|-----------------------------|
| Revenue | | | |
| Net tenant rental revenue | \$ 1,925,458 | \$ 456,608 | \$ 2,382,066 |
| Tenant revenue - other | 179,139 | 9,566 | 188,705 |
| Total tenant revenue | <u>2,104,597</u> | <u>466,174</u> | <u>2,570,771</u> |
| HUD PHA operating grants | 16,754,650 | 763,448 | 17,518,098 |
| Capital grants | 1,292,074 | | 1,292,074 |
| Fraud recovery | 40,250 | | 40,250 |
| Other revenue | 78,827 | | 78,827 |
| Gain (loss) on the sale of fixed assets | (285,424) | (42,378) | (327,802) |
| Total revenue | <u>19,984,974</u> | <u>1,187,244</u> | <u>21,172,218</u> |
| Expenses | | | |
| Administrative | 2,591,272 | 205,631 | 2,796,903 |
| Tenant services | 362,178 | 75 | 362,253 |
| Utilities | 1,128,694 | 217,309 | 1,346,003 |
| Ordinary maintenance and operation | 2,128,352 | 280,163 | 2,408,515 |
| Protective services | 297,575 | | 297,575 |
| Insurance premiums | 117,029 | 24,868 | 141,897 |
| Payment in lieu of taxes | 55,986 | 22,159 | 78,145 |
| Bad debt - tenant rents | 102,013 | 6,800 | 108,813 |
| Severance expense | 63 | | 63 |
| Extraordinary maintenance | 396,006 | | 396,006 |
| Housing assistance payments | 11,581,384 | | 11,581,384 |
| Depreciation expense | 2,138,413 | 138,736 | 2,277,149 |
| Total operating expenses | <u>20,898,965</u> | <u>895,741</u> | <u>21,794,706</u> |
| Operating income (loss) | (913,991) | 291,503 | (622,488) |
| Other income (expense) | | | |
| Investment income - unrestricted | 339,450 | 181,098 | 520,548 |
| Investment income - restricted | 125 | 38,100 | 38,225 |
| Interest expense | | (317,565) | (317,565) |
| Total other income (expense) | <u>339,575</u> | <u>(98,367)</u> | <u>241,208</u> |
| Excess of revenue over expenses | <u>(\$ 574,416)</u> | <u>\$ 193,136</u> | <u>(\$ 381,280)</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Cash Flows

| | June 30, 2002 | | |
|--|--|--|-----------------------------|
| | Lorain Metropolitan Housing Authority | Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating income | \$ 782,108 | \$ 339,661 | \$1,121,769 |
| Adjustments to reconcile operating income to net cash provided by (used) for operating activities: | | | |
| Gain on disposal of fixed assets | (421,976) | | (421,976) |
| Depreciation | 2,188,791 | 160,273 | 2,349,064 |
| Capital grants | (1,807,809) | (40,181) | (1,847,990) |
| Cumulative effect of change in accounting | (12,151) | 79,614 | 67,463 |
| (Increase) decrease in operating assets: | | | |
| Cash restricted for security deposit | (33,422) | (917) | (34,339) |
| Accounts receivable - tenants | (20,744) | (4,089) | (24,833) |
| Accounts receivable - HUD other projects | (565,228) | | (565,228) |
| Accounts receivable - other | 5,102 | (9,507) | (4,405) |
| Prepaid expenses and other assets | (2,664) | 76 | (2,588) |
| Inventories | (2,643) | | (2,643) |
| Interprogram due from other entities | (149,831) | 34,168 | (115,663) |
| Accrued interest receivable | 117,549 | 747 | 118,296 |
| Increase (decrease) in operating liabilities: | | | |
| Accounts payable | 160,144 | (88,033) | 72,111 |
| Intergovernment accounts payable | (34,168) | | (34,168) |
| Accounts payable - HUD PHA programs | (239,761) | 149,831 | (89,930) |
| Tenant security deposits | 5,910 | 917 | 6,827 |
| Accrued wages and payroll taxes | 38,542 | 3,716 | 42,258 |
| Accrued compensated absences | (10,143) | 2,466 | (7,677) |
| Accounts payable - PILOT and other | (13,014) | 2,085 | (10,929) |
| Other current liabilities | 97,284 | 200 | 97,484 |
| Deferred revenue | (1,136,226) | | (1,136,226) |
| Non-current liabilities - FSS escrow and other | (219,625) | | (219,625) |
| Net cash provided (used) by operating activities | (1,273,975) | 631,027 | (642,948) |
| CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES | | | |
| Capital grants | 1,807,809 | 40,181 | 1,847,990 |
| Interest paid - other | (12,990) | | (12,990) |
| Interest paid on bonds | | (313,331) | (313,331) |
| Payment of bond principal | | (140,000) | (140,000) |
| Purchases of land, structures and equipment | (1,794,515) | (447,410) | (2,241,925) |
| Proceeds from insurance policies | 457,241 | | 457,241 |
| Net cash (used) provided by capital financing activities | 457,545 | (860,560) | (403,015) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | 305,111 | 164,960 | 470,071 |
| Purchases of investments | | (758,251) | (758,251) |
| Proceeds from sale of investments | 2,024,407 | 784,669 | 2,809,076 |
| Net cash provided by investing activities | 2,329,518 | 191,378 | 2,520,896 |
| Increase (decrease) in cash and cash equivalents | 1,513,088 | (38,155) | 1,474,933 |
| Cash and cash equivalents - beginning of year | 4,668,825 | 2,667,558 | 7,336,383 |
| Cash and cash equivalents - end of year | <u>\$6,181,913</u> | <u>\$2,629,403</u> | <u>\$8,811,316</u> |

See Notes to Financial Statements

| | Lorain Metropolitan Housing Authority | Restated June 30, 2001 Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
|---|--|---|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating income (loss) | (\$ 913,991) | \$ 291,503 | (\$ 622,488) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used) for operating activities: | | | |
| Depreciation | 2,423,330 | 181,114 | 2,604,444 |
| Capital grants | (1,292,074) | | (1,292,074) |
| (Increase) decrease in operating assets: | | | |
| Cash restricted for security deposit | 167,496 | | 164,915 |
| Accounts receivable - tenants | 8,351 | (2,581) | 9,741 |
| Accounts receivable - HUD other projects | (67,302) | | (67,302) |
| Accounts receivable - other | 42,592 | 1,069 | 43,661 |
| Prepaid expenses and other assets | (12,303) | (896) | (13,199) |
| Inventories | (12,274) | | (12,274) |
| Interprogram due from other entities | (57,963) | (34,168) | (92,131) |
| Accrued interest receivable | (22,248) | 41,637 | 19,389 |
| Increase (decrease) in operating liabilities: | | | |
| Accounts payable | 122,793 | 85,332 | 208,125 |
| Accounts payable - HUD PHA programs | 403,970 | (38,860) | 365,110 |
| Tenant security deposits | (162,523) | 2,851 | (159,672) |
| Accrued wages and payroll taxes | 2,509 | (2,781) | (272) |
| Accrued compensated absences | 2,073 | (3,153) | (1,080) |
| Accounts payable - PILOT and other | (23,045) | 1,322 | (21,723) |
| Other current liabilities | 144,158 | | 144,158 |
| Deferred revenue | 106,273 | | 106,273 |
| Net cash provided by operating activities | 859,822 | 523,779 | 1,383,601 |
| CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES | | | |
| Capital grants | 1,292,074 | | 1,292,074 |
| Interest paid on bonds | | (320,465) | (320,465) |
| Payment of bond principal | | (130,000) | (130,000) |
| Purchases of land, structures and equipment | (1,365,335) | (487,227) | (1,852,562) |
| Net cash used by capital financing activities | (73,261) | (937,692) | (1,010,953) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | 339,575 | 219,198 | 558,773 |
| Purchases of investments | (370,000) | (1,805,300) | (2,175,300) |
| Proceeds from sale of investments | 2,987,942 | 4,667,573 | 7,655,515 |
| Net cash provided by investing activities | 2,957,517 | 3,081,471 | 6,038,988 |
| Increase in cash and cash equivalents | 3,744,078 | 2,667,558 | 6,411,636 |
| Cash and cash equivalents - beginning of year | 924,747 | | 924,747 |
| Cash and cash equivalents - end of year | <u>\$4,668,825</u> | <u>\$2,667,558</u> | <u>\$7,336,383</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Statements of Changes in Equity Years Ended June 30, 2002 and 2001

| | <u>Lorain Metropolitan Housing Authority</u> | <u>Component Unit Lorain County Elderly Housing Corporation</u> | <u>Total Memorandum Only</u> |
|---|--|---|--------------------------------------|
| Equity balance at June 30, 2000, as previously reported | \$39,967,849 | \$ 1,413,711 | \$41,381,560 |
| Prior period adjustments | (3,713,520) | (95,393) | (3,808,913) |
| Equity balance at June 30, 2000, as restated | 36,254,329 | 1,318,318 | 37,572,647 |
| Excess of revenue over expenses, restated 2001 | (574,416) | 193,136 | (381,280) |
| Equity balance at June 30, 2001, as restated | 35,679,913 | 1,511,454 | 37,191,367 |
| Excess of revenue over expenses, 2002 | <u>1,074,229</u> | <u>194,290</u> | <u>1,268,519</u> |
| Equity balance at June 30, 2002 | <u>\$36,754,142</u> | <u>\$ 1,705,744</u> | <u>\$38,459,886</u> |

See Notes to Financial Statements

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE A - 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 general purpose financial statements comply with the provisions of GASB Statement 14 ("Statement"), "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 14, the Lorain County Elderly Housing Corporation (LCEHC) a 501(c)(3) not for profit entity is a component unit of LMHA.

Lorain Metropolitan Housing Authority

LMHA was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. In accordance with an Annual Contributions Contract (C-5010) between the LMHA and the United States Department of Housing and Urban Development (HUD), the 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, (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 payments ("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 an eight-unit apartment complex ("Complex") with an attached car wash. LMHA does not receive federal financial assistance to operate this Complex. Revenue received from the Complex is recorded in business activities in the supplemental schedules. Management fees earned by LMHA are also recorded in business activities.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE A - DESCRIPTION OF THE ENTITY (CONTINUED)

Component Unit

The Lorain County Elderly Housing Corporation (LCEHC), a 501(c)(3) not for profit entity, is a component unit of the Lorain Metropolitan Housing Authority 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 Lorain County Elderly Housing Corporation (LCEHC) are also members of the Board of Commissioners of the Lorain Metropolitan Housing Authority (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.

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

Joint Venture

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

NOTE B - 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 Financial Statements Years Ended June 30, 2002 and 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts - Bad Debt Expenses

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

At June 30, 2002 and 2001, the allowance for doubtful accounts was \$7,000 and \$10,700 for LMHA, respectively and \$1,300 and \$500 for LCEHC, respectively.

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. As collection of these accounts receivables are questionable, the revenues associated with these accounts receivables have been deferred. Revenue will be recognized when collection is assured.

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.

Restricted Investments

Restricted investments for LMHA represent amounts received from tenants for either security deposits or the family self sufficiency (FSS) program which are deposited into escrow accounts.

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

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

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are capitalized and depreciated. See Note C for change in accounting policy.

Compensated Absences

LMHA and its component unit LCEHC account for compensated absences in accordance with GASB Statement Number 16.

Vacation leave earned at the end of the fiscal year (June 30), is accrued based on the employee hourly rate multiplied by the employee vacation hour balance. Vacation leave can not be carried forward from the end of the calendar year to the beginning of the next calendar year, unless specifically approved by the Board of Commissioners. Employees are eligible to receive monetary compensation for vacation leave in lieu of time off. LMHA and LCEHC record a liability for all vacation leave earned.

Sick leave balances are subject to payment to the employee only after ten (10) years of service at LMHA. Employee sick leave payments are equal to 50% of the employee's available sick time hour, up to a maximum to 960 hours. LMHA and LCEHC record a liability for unused sick leave to the extent that it is probable that payment will be made.

Interprogram Due to and Due From Other Entities

Payables and receivables that occur between LMHA and LCEHC are shown as either an Interprogram Due from other Entities (asset) or an Interprogram Due to other Entities (liability).

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

Certain reclassifications have been made to the June 30, 2001 financial statements to conform with the June 30, 2002 presentation.

NOTE C - CHANGE IN ACCOUNTING PRINCIPLE

LMHA and LCEHC revised their capitalization policy in fiscal year 2001 to not capitalize ranges and refrigerators, which had previously been capitalized regardless of cost. Both LMHA and LCEHC believe that this change more accurately reflects the true economic lives of these expenditures and are consistent with current capitalization policies. The cumulative effect of the change on prior years of \$284,917 for LMHA and \$42,378 for LCEHC is a one-time decrease to income in 2001.

NOTE D - DEPOSITS AND INVESTMENTS

Legal Requirements

The deposit and investment of LMHA's and its component unit LCEHC monies are governed by the provisions of the Ohio Revised Code (ORC) and HUD regulations. Only banks or associations as defined in the ORC are eligible to hold public deposits. According to State of Ohio regulations, LMHA and LCEHC are permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, state and local government investment pools, direct obligations of the Federal Government, obligations of Federal Government Agencies and Securities Federal Government Agencies. These investments must mature within three years of their purchase. LMHA and LCEHC may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

Under Ohio law, public depositories must give security for all public 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 established by the financial institution to secure the repayment of all public monies deposited with the institution. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in LMHA's and LCEHC's name.

Under Ohio law LMHA and LCEHC are 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"). LMHA and LCEHC are also prohibited from investing in reverse purchase agreements under State of Ohio law.

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes LMHA and LCEHC to make investments in:

Direct Obligations of the Federal Government;
Obligations of Federal Government Agencies;
Securities of Government - Sponsored Agencies; and
Demand and Savings Deposits and Certificates of Deposit

To demonstrate its custodial credit risk with deposits and investments and compliance with the Ohio Revised Code and HUD regulations, LMHA and its component unit LCEHC follow Governmental Accounting Standards Board Statement No. 3 (GASB No. 3), which has established custodial credit risk categories for deposits and investments:

Deposits

- Category 1 Insured or collateralized with securities held by LMHA and LCEHC or by its agent in the name of LMHA or LCEHC.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in LMHA or LCEHC's name.
- Category 3 Uncollateralized as defined by the GASB (Securities pledged with the pledging financial institution's trust department or agent, but not in LMHA or LCEHC's name).

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

- Category 1 Insured or registered, or securities held by the LMHA and LCEHC or its agent in LMHA or LCEHC's name.
- Category 2 Uninsured or unregistered, with securities held by the LMHA and LCEHC or its agent in LMHA or LCEHC's name.
- Category 3 Uninsured or unregistered, with securities held by the counterparty's or by its trust department or agent but not in LMHA or LCEHC's name.

Deposits

The combined carrying amount of both LMHA's and its component unit LCEHC's deposits, including restricted family self-sufficiency accounts and tenant security deposits, was \$9,082,326 and \$7,445,605 at June 30, 2002 and 2001, respectively, and the bank balance was \$9,193,854 and \$10,214,219 at June 30, 2002 and 2001, respectively. The difference represents outstanding checks and other in transit transactions of the bank balance.

- (1) \$100,000 was covered by federal depository insurance at June 30, 2002 and 2001.
- (2) \$9,093,854 and \$11,114,219 was covered by pledged securities held in joint custody at June 30, 2002 and 2001, respectively.
- (3) Accounts in the name of LMHA and LCEHC and the pledging financial institution held by the Federal Reserve Bank of Cleveland, Ohio.

Investments

Investments - LMHA's and LCEHC's investments are identified by risk category as follows:

| <u>Description</u> | LCEHC | | | <u>Fair Value</u> |
|----------------------|-------------------|-------------------|-------------------|-------------------|
| | Risk Category | | | |
| | June 30, 2002 | | | |
| | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | |
| Bank One trust funds | | \$ 836,895 | | \$ 836,895 |
| Total LCEHC | | <u>\$ 836,895</u> | | <u>\$ 836,895</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

No investments were held by LMHA at June 30, 2002.

| <u>Description</u> | LMHA | | | <u>Fair Value</u> |
|--------------------------------------|--------------------|-------------------|-------------------|--------------------|
| | Risk Category | | | |
| | June 30, 2001 | | | |
| | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | |
| Certificates of deposit | \$1,917,930 | - | - | \$1,917,930 |
| U.S. Treasury bills, Federal Reserve | - | - | \$ 233,926 | 233,926 |
| Total LMHA | <u>\$1,917,930</u> | <u>\$ -0-</u> | <u>\$ 233,926</u> | <u>\$2,151,856</u> |

| <u>Description</u> | LCEHC | | | <u>Fair Value</u> |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| | Risk Category | | | |
| | June 30, 2001 | | | |
| | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | |
| Certificates of deposits | \$ 21,329 | - | - | \$ 21,329 |
| Bank One trust funds | - | \$ 841,984 | - | 841,984 |
| Total LCEHC | <u>\$ 21,329</u> | <u>\$ 841,984</u> | <u>\$ -0-</u> | <u>\$ 863,313</u> |

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

| | June 30, 2002 | | |
|--|--------------------|--------------------|---------------------|
| | <u>LMHA</u> | <u>LCEHC</u> | <u>Total</u> |
| Unrestricted cash and cash equivalents | \$6,181,913 | \$2,629,403 | \$ 8,811,316 |
| Unrestricted investments | | | |
| Restrict cash and investment - tenant security deposits and FSS deposits | 234,455 | 36,555 | 271,010 |
| Restricted investments - trustee and endowment fund | | 836,895 | 836,895 |
| Total | <u>\$6,416,368</u> | <u>\$3,502,853</u> | <u>\$ 9,919,221</u> |
| Carrying amounts of deposits | \$6,416,368 | \$2,665,958 | \$ 9,082,326 |
| Carrying amounts of investments | | 836,895 | 836,895 |
| Total | <u>\$6,416,368</u> | <u>\$3,502,853</u> | <u>\$ 9,919,221</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE D - DEPOSITS AND INVESTMENTS (CONTINUED)

| | June 30, 2001 | | |
|---|--------------------|--------------------|---------------------|
| | <u>LMHA</u> | <u>LCEHC</u> | <u>Total</u> |
| Unrestricted cash and cash equivalents | \$4,668,825 | \$2,667,558 | \$ 7,336,383 |
| Unrestricted investments | 1,884,126 | 152,730 | 2,036,856 |
| Restrict cash and investment - tenant security deposits and FSS deposits | 73,584 | 35,638 | 109,222 |
| Restricted investments - tenants security - LMHA and trustee - LCEHC | <u>267,730</u> | <u>710,583</u> | <u>978,313</u> |
| Total | <u>\$6,894,265</u> | <u>\$3,566,509</u> | <u>\$10,460,774</u> |
| Carrying amounts of deposits | \$4,742,409 | \$2,703,196 | \$ 7,445,605 |
| Carrying amounts of investments | <u>2,151,856</u> | <u>863,313</u> | <u>3,015,169</u> |
| Total | <u>\$6,894,265</u> | <u>\$3,566,509</u> | <u>\$10,460,774</u> |

NOTE E - RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES

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

Lorain Metropolitan Housing Authority

| | June 30, | |
|---|-------------------|-------------------|
| | <u>2002</u> | <u>2001</u> |
| Business Activities | | |
| Other Non-HUD reserves | \$ 2,755 | \$ 140,281 |
| Low Rent Public Housing | | |
| Tenant security deposits | 133,643 | 127,449 |
| Family self-sufficiency escrow deposits | 20,169 | 19,207 |
| Section 8 Program | | |
| Family self-sufficiency escrow deposits | <u>77,888</u> | <u>54,377</u> |
| Total Lorain Metropolitan Housing Authority | <u>\$ 234,455</u> | <u>\$ 341,314</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE E - RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES (CONTINUED)

Lorain County Elderly Housing Corporation

| | <u>June 30,</u> | |
|---|-----------------------|-----------------------|
| | <u>2002</u> | <u>2001</u> |
| Tenant security deposits | \$ 36,555 | \$ 35,638 |
| Trustee reserves as follows: | | |
| Cumulative reserve fund | 91,459 | |
| Replacement reserve fund | 147,913 | 127,522 |
| Tax and insurance fund | 23,357 | 11,562 |
| Reserve account | 6,040 | 4,628 |
| Interest account | 154,793 | 158,538 |
| Principal account | 145,000 | 140,000 |
| Debt service fund | <u>268,333</u> | <u>268,333</u> |
| Total Lorain County Elderly Housing Corporation | <u>\$ 873,450</u> | <u>\$ 746,221</u> |

NOTE F - FIXED ASSETS

The following is a summary of fixed assets:

Lorain Metropolitan Housing Authority

| | <u>July 1, 2001</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2002</u> |
|-----------------------------------|-------------------------|-------------------------|------------------------|-------------------------|
| Land | \$ 4,636,058 | | | \$ 4,636,058 |
| Buildings | 49,692,592 | \$ 891,656 | (\$ 159,419) | 50,424,829 |
| Office equipment | 519,503 | 29,712 | (2,097) | 547,118 |
| Maintenance equipment | 232,136 | 4,119 | | 236,255 |
| Vehicles | 566,570 | 44,868 | | 611,438 |
| Construction in progress | <u>215,431</u> | <u>824,160</u> | | <u>1,039,591</u> |
| Total | 55,862,290 | 1,794,515 | (161,516) | 57,495,289 |
| Less accumulated depreciation | (25,141,137) | (2,188,791) | 126,251 | (27,203,677) |
| Total | <u>\$30,721,153</u> | <u>(\$ 394,276)</u> | <u>(\$ 35,265)</u> | <u>\$30,291,612</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE F - FIXED ASSETS (CONTINUED)

Lorain County Elderly Housing Corporation

| | Restated July 1, 2001 | Additions | Deletions | June 30, 2002 |
|-------------------------------|--------------------------|-------------------|---------------|---------------------|
| Land | \$ 377,929 | \$ -0- | \$ -0- | \$ 377,929 |
| Buildings | 5,525,736 | 786,992 | -0- | 6,312,728 |
| Dwelling equipment | 18,525 | 3,864 | 3,314 | 25,703 |
| Maintenance equipment | 12,103 | 11,060 | (3,314) | 19,849 |
| Construction in process | <u>443,002</u> | <u>(434,120)</u> | <u>-0-</u> | <u>8,882</u> |
| Total | 6,377,295 | 367,796 | -0- | 6,745,091 |
| Less accumulated depreciation | <u>(3,094,960)</u> | <u>(160,273)</u> | <u>-0-</u> | <u>(3,255,233)</u> |
| Total | <u>\$ 3,282,335</u> | <u>\$ 207,523</u> | <u>\$ -0-</u> | <u>\$ 3,489,858</u> |

NOTE G - BONDS PAYABLE - LORAIN COUNTY ELDERLY HOUSING CORPORATION COMPONENT UNIT

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

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

The Trustee is responsible for ensuring that all principal and interest expense payments are paid in accordance with the terms specified in the bond indenture agreement.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE G - BONDS PAYABLE - LORAIN COUNTY ELDERLY HOUSING CORPORATION COMPONENT UNIT (CONTINUED)

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

| <u>Maturity, Amounts, Interest Rates and Prices</u> | | | |
|---|-----------------------------|------------------------------|------------------|
| <u>Maturity (July 15)</u> | <u>Principal Amount</u> | <u>Interest Rate (%)</u> | <u>Yield (%)</u> |
| 2002 | \$ 145,000 | 5.50% | 5.70% |
| 2003 | 155,000 | 5.60% | 5.80% |
| 2019 | <u>4,595,000</u> | 6.375% | 6.454% |
| Subtotal | <u>\$4,895,000</u> | | |

NOTE H - DEFINED BENEFIT PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT SYSTEM

Employees and Plan

Employees of LMHA belong to the Public Employees Retirement System of Ohio ("PERS"), a state-wide and state administered defined benefit, cost sharing multi-governmental employer pension plan, as required by the Ohio Revised Code. Allocated payroll expenses are made to LCEHC along with its pro-rata share of PERS costs.

PERS

PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information.

Interested parties may obtain a copy by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE H - DEFINED BENEFIT PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The employer contribution rate for local government employer units was 13.55 percent of covered payroll; 4.3 percent was the portion used to fund health care in 2002 and 2001. The LMHA's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for years ended June 30, 2002, 2001, and 2000 were \$389,125, \$242,355, and \$234,679, respectively, equal to the required contributions for each year. LCEHC's allocated total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended June 30, 2002, 2001, and 2000 were \$30,876, \$17,061, and \$16,712, respectively, equal to the required contributions for each year.

NOTE I - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

PERS provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of covered payroll.

LMHA's contributions for other postemployment benefits to PERS for the fiscal year ended 2002, 2001, and 2000 were \$123,486, \$96,142, and \$105,418, respectively. LCEHC's contributions for other postemployment benefits to PERS for the fiscal year ended 2002, 2001, and 2000 were \$9,798, \$6,768, and \$7,507, respectively.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE I - POSTEMPLOYMENT BENEFITS - PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75 percent base increase, were assumed to range from 0.54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE J - RISK MANAGEMENT

LMHA and its component unit LCEHC are exposed to various risks of loss related to torts and other legal actions; theft of, damage to, and destruction of assets; error and omissions, injuries to employees and tenants and natural disasters. LMHA has contracted with the Housing Authority Property Insurance, Inc. (HAPI) for property liability insurance and outside vendors for employee and Board of Commissioner's fidelity insurance, auto and vehicle insurance and office equipment insurance. Settlement claims have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the previous fiscal year.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE K - NON-RECURRING ITEMS

Proceeds from Demutualization

During the year ended June 30, 2002, LMHA received a one-time issuance of stock as a result of the demutualization of an insurance carrier. The Company recognized the proceeds of \$322,790 on the sale of the stock as other revenue.

Proceeds from Insurance

During the year ended June 30, 2002, LMHA received insurance proceeds as a result of property damage. The Company recognized a net gain of \$335,976 from the insurance proceeds as a gain on the sale of fixed assets.

NOTE L - PRIOR PERIOD AUDIT ADJUSTMENTS

LMHA

The accompanying financial statements for June 30, 2001 have been restated to adjust for a liability due to HUD at June 30, 2001 of \$12,151. Further, equity at the beginning of June 30, 2001 was adjusted to correct errors for the overstatement of fixed assets of \$3,698,739 and under accrual of management fees of \$14,781.

Equity at the beginning of June 30, 2001 has been reduced by \$3,713,520 and the change in equity for the year ended June 30, 2001 has been decreased by \$12,151 to reflect the effect of the restatement.

LCEHC

The accompanying financial statements for June 30, 2001 have been restated to adjust for the capitalization of building costs of \$25,700 which were expensed during the year ended June 30, 2001. Further, the equity at the beginning of June 30, 2001 was adjusted to correct errors for the acquisition cost of land acquired in 1996 by \$53,913, interest not accrued on the bonds payable of \$147,900 and interest accrued to the wrong program of \$1,406, for the year ended June 30, 2000 and prior. Equity at the beginning of June 30, 2001 has been decreased by \$95,393, and the change in equity for the year ended June 30, 2001 was increased by \$25,700 to reflect the effect of the restatement.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements Years Ended June 30, 2002 and 2001

NOTE L - PRIOR PERIOD AUDIT ADJUSTMENTS (CONTINUED)

Effect of restatements to June 30, 2001:

| | Lorain Metropolitan Housing Authority | Component Unit Lorain County Elderly Housing Corporation | Total Memorandum Only |
|--|--|--|-----------------------------|
| Land, structures, and equipment as originally reported at June 30, 2001 | | \$6,297,682 | \$6,297,682 |
| Effect of restatement | | <u>25,700</u> | <u>25,700</u> |
| Land, structures, and equipment as restated at June 30, 2001 | <u>\$ -0-</u> | <u>\$6,323,382</u> | <u>\$6,323,382</u> |
| Accounts payable - HUD PHA Programs as originally report at June 30, 2001 | \$ 260,828 | | \$ 260,828 |
| Effect of restatement | <u>12,151</u> | | <u>12,151</u> |
| Accounts payable - HUD PHA Programs as restated at June 30, 2001 | <u>\$ 272,979</u> | <u>\$ -0-</u> | <u>\$ 272,979</u> |
| Excess of revenues over expenses as originally reported for the year ended June 30, 2001 | (\$ 562,265) | \$ 167,436 | (\$ 394,829) |
| Effect of restatement | <u>(12,151)</u> | <u>25,700</u> | <u>13,549</u> |
| Excess of revenues over expenses as restated for the year ended June 30, 2001 | <u>(\$ 574,416)</u> | <u>\$ 193,136</u> | <u>(\$ 381,280)</u> |

NOTE M - NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement establishes reporting standards for general purpose external financial reporting by government units. GASB Statement No. 34 is effective for the year ending June 30, 2003. The Authority believes that the impact of this statement on its reported financial condition and results of operation will not be material.

NOTE N - CONCENTRATIONS

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

LORAIN METROPOLITAN HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards Year Ended June 30, 2002

| <u>Federal Grantor/ Program Title</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|---|------------------------|---------------------------------|
| U. S. Department of Housing and Urban Development (Direct Program) | | |
| Low Income Housing Assistance Program: | | |
| Section 8 Housing Choice Voucher | 14.871 | \$15,025,291 |
| Public Housing - Operating Subsidy | 14.850A | 3,472,505 |
| Public Housing Capital Fund Program | 14.872 | 1,827,255 |
| Comprehensive Grant Program | 14.859 | 468,115 |
| Public and Indian Housing Drug Elimination Grant | 14.854 | 423,565 |
| Sheltered Plus Care | 14.238 | 213,117 |
| Section 8 New Construction and Substantial Rehabilitation Program - Concord Manor (Passed through to subrecipient) | 14.182 | 189,845 |
| Resident Opportunity and Supportive Services Grant | 14.870 | <u>22,988</u> |
| Total Federal Financial Assistance (All U.S. Dept. of HUD) | | <u>\$21,642,681</u> |

See Notes to Schedule of Expenditures of Federal Awards.

LORAIN METROPOLITAN HOUSING AUTHORITY

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2002

Note A: The accompanying Schedule of Expenditures of Federal Awards is a summary of the federal grant activity of the Lorain Metropolitan Housing Authority. 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 general purpose financial statements.

Note B: Federal Expenditures for the component unit - Lorain County Elderly Housing Corporation (LCEHC) are excluded from this schedule because these federal expenditures/disbursements were reported separately in LCEHC's OMB Circular A-133 Single Audit Report. LCEHC federal expenditures/disbursements for the fiscal year ended June 30, 2002 were \$791,505. LCEHC was funded under the Section 8 Housing Program which had a federal CFDA Number 14.871 in the amount of \$718,478, and the New Approach Anti Drug Grant which had a Federal CFDA Number 14.312 in the amount of \$73,027.

LORAIN METROPOLITAN HOUSING AUTHORITY

Combining Balance Sheet FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2002

| FDS Line Item No. | Account Description | Business Activities | 14.850 A Low Rent Public Housing | 14.182 Section 8 New Construction Concord Manor | 14.871 Housing Choice Voucher Program |
|---------------------------------|---|------------------------|--|---|---|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash: | | | | | |
| 111 | Cash - unrestricted | \$ 677,434 | \$ 2,993,365 | | \$ 2,511,114 |
| 112 | Cash - restricted | | 20,169 | | 77,888 |
| 114 | Cash - tenant security deposits | 2,755 | 133,643 | | |
| 100 | TOTAL CASH | <u>680,189</u> | <u>3,147,177</u> | <u>\$ -0-</u> | <u>2,589,002</u> |
| Accounts and notes receivables: | | | | | |
| 121 | Accounts receivable - PHA projects | | | | 4,967 |
| 122 | Accounts receivable - HUD other projects | | | | 408,387 |
| 125 | Accounts receivable - miscellaneous | | | | 4,550 |
| 126 | Accounts receivable - tenants - dwelling rents | | 52,158 | | |
| 126.1 | Allowance for doubtful accounts - dwelling rents | | (6,961) | | |
| 128 | Fraud recovery | | | | 103,971 |
| 120 | TOTAL RECEIVABLES, NET OF ALLOWANCES FOR DOUBTFUL ACCOUNTS | | <u>45,197</u> | <u>-0-</u> | <u>521,875</u> |
| Current investments: | | | | | |
| 132 | Investments - restricted | | | | |
| 142 | Prepaid expenses and other assets | 85 | 66,679 | | 2,414 |
| 143 | Inventories | | 246,257 | | |
| 143.1 | Allowance for obsolete inventories | | (100) | | |
| 144 | Interprogram - due from | 177,677 | 219,414 | 36,946 | 9,440 |
| 150 | TOTAL CURRENT ASSETS | <u>857,951</u> | <u>3,724,624</u> | <u>36,946</u> | <u>3,122,731</u> |
| Noncurrent Assets | | | | | |
| Fixed assets | | | | | |
| 161 | Land | 71,100 | 4,495,558 | | 69,400 |
| 162 | Buildings | 189,400 | 46,829,345 | | 848,002 |
| 163 | Furniture, equipment and machinery - dwellings | | 804,401 | | |
| 164 | Furniture, equipment and machinery - administration | | 383,075 | | 96,390 |
| 166 | Accumulated depreciation | (19,728) | (26,688,989) | | (251,050) |
| 167 | Construction in progress | | | | |
| 160 | TOTAL FIXED ASSETS, NET | <u>240,772</u> | <u>25,823,390</u> | | <u>762,742</u> |
| | TOTAL NONCURRENT ASSETS | <u>240,772</u> | <u>25,823,390</u> | | <u>762,742</u> |
| 190 | TOTAL ASSETS | <u>\$ 1,098,723</u> | <u>\$29,548,014</u> | <u>\$ 36,946</u> | <u>\$ 3,885,473</u> |

| 14.852 & 14.859 Comp Grant | 14.872 Public Housing Capital Fund Program | 14.870 Ross Grant | 14.854 Drug Elimination | 14.238 Shelter Plus Care Grant | Total PHA | Component Unit 14.312 New Approach | Component Unit 14.871 Section 8 Program | Total Elderly | Total |
|-------------------------------------|--|-------------------------|-------------------------------|---|-----------------------------------|---|--|---------------------------|-----------------------------------|
| | | | | | \$ 6,181,913 98,057 136,398 | | \$2,629,403 | \$2,629,403 | \$ 8,811,316 98,057 172,953 |
| \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | 6,416,368 | \$ -0- | 2,665,958 | 2,665,958 | 9,082,326 |
| | | | | | 4,967 | 10,737 | | 10,737 | 15,704 |
| 8,023 | 198,969 | 4,678 | 22,190 | | 642,247 4,550 | | | | 642,247 4,550 |
| | | | | | 52,158 | | 6,906 | 6,906 | 59,064 |
| | | | | | (6,961) 103,971 | | (1,327) | (1,327) | (8,288) 103,971 |
| 8,023 | 198,969 | 4,678 | 22,190 | -0- | 800,932 | 10,737 | 5,579 | 16,316 | 817,248 |
| | | | | | | | 836,895 1,789 | 836,895 1,789 | 836,895 70,967 246,257 |
| | | | | | (100) 443,477 | | | | (100) 443,477 |
| 8,023 | 198,969 | 4,678 | 22,190 | -0- | 7,976,112 | 10,737 | 3,510,221 | 3,520,958 | 11,497,070 |
| 1,666,427 | 891,657 | | | | 4,636,058 50,424,831 | 34,280 | 377,928 6,278,448 | 377,928 6,312,728 | 5,013,986 56,737,559 |
| | | | | | 804,401 | | 21,839 | 21,839 | 826,240 |
| (166,641) | 107,213 (76,609) | | 3,730 (660) | | 590,408 (27,203,677) | 3,864 (1,867) | 19,850 (3,253,366) | 23,714 (3,255,233) | 614,122 (30,458,910) |
| 574,612 | 464,979 | | | | 1,039,591 | 8,882 | 8,882 | 8,882 | 1,048,473 |
| 2,074,398 | 1,387,240 | | 3,070 | -0- | 30,291,612 | 45,159 | 3,444,699 | 3,489,858 | 33,781,470 |
| 2,074,398 | 1,387,240 | | 3,070 | | 30,291,612 | 45,159 | 3,444,699 | 3,489,858 | 33,781,470 |
| <u>\$2,082,421</u> | <u>\$1,586,209</u> | <u>\$ 4,678</u> | <u>\$ 25,260</u> | <u>\$ -0-</u> | <u>\$38,267,724</u> | <u>\$ 55,896</u> | <u>\$6,954,920</u> | <u>\$7,010,816</u> | <u>\$45,278,540</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Combining Balance Sheet FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2002

| FDS Line Item No. | Account Description | Business Activities | 14.850 A Low Rent Public Housing | 14.182 Section 8 New Construction Concord Manor | 14.871 Housing Choice Voucher Program |
|-------------------------------|--|------------------------|--|---|---|
| LIABILITIES AND EQUITY | | | | | |
| Current Liabilities | | | | | |
| 312 | Accounts payable ≤ 90 days | \$ 410 | \$ 134,774 | | \$ 6,658 |
| 321 | Accrued wages/payroll taxes payable | 9,631 | 87,377 | | 32,464 |
| 322 | Accrued compensated absences - current portion | | 163,685 | | 55,635 |
| 325 | Accrued interest payable | | | | |
| 331 | Accounts payable - HUD PHA programs | | | \$ 21,067 | |
| 333 | Accounts payable - other government | | 50,241 | | |
| 341 | Tenant security deposits | 2,755 | 133,643 | | |
| 343 | Current portion of long-term debt - capital projects/mortgage revenue bonds | | | | |
| 345 | Other current liabilities | | 8,650 | | |
| 346 | Accrued liabilities - other | | 88,012 | | 622 |
| 347 | Inter-program - due to | 231,308 | | 15,879 | 36,946 |
| 310 | TOTAL CURRENT LIABILITIES | <u>244,104</u> | <u>666,382</u> | <u>36,946</u> | <u>132,325</u> |
| Noncurrent Liabilities | | | | | |
| 351 | Long-term debt, net of current - capital projects/mortgage revenue bonds | | | | |
| 353 | Noncurrent liabilities - other | | 18,094 | | 181,870 |
| 350 | TOTAL NONCURRENT LIABILITIES | | <u>18,094</u> | | <u>181,870</u> |
| 300 | TOTAL LIABILITIES | 244,104 | 684,476 | 36,946 | 314,195 |
| Equity | | | | | |
| Contributed capital: | | | | | |
| 504 | Net HUD PHA contributions | | 25,773,128 | | |
| 507 | Other contributions | 20,500 | | | |
| 508 | TOTAL CONTRIBUTED CAPITAL | <u>20,500</u> | <u>25,773,128</u> | | |
| 512 | Undesignated fund balance/retained earnings | 834,119 | 3,090,410 | | 3,571,278 |
| 513 | TOTAL EQUITY/NET ASSETS | <u>\$ 854,619</u> | <u>\$28,863,538</u> | <u>\$ -0-</u> | <u>\$ 3,571,278</u> |
| 600 | TOTAL LIABILITIES AND EQUITY/NET ASSETS | <u>\$ 1,098,723</u> | <u>\$29,548,014</u> | <u>\$ 36,946</u> | <u>\$ 3,885,473</u> |

| 14.852 & 14.859 Comp Grant | 14.872 Public Housing Capital Fund Program | 14.870 Ross Grant | 14.854 Drug Elimination | 14.238 Shelter Plus Care Grant | Total PHA | Component Unit 14.312 New Approach | Component Unit 14.871 Section 8 Program | Total Elderly | Total |
|-------------------------------------|--|-------------------------|-------------------------------|---|-----------------------------|---|--|---------------------------|----------------------------|
| \$ 8,023 | \$ 165,931 10,244 | \$ 4,678 | \$ 15,666 1,133 | | \$ 336,140 140,849 | \$ 10,737 | \$ 20,327 10,795 | \$ 31,064 10,795 | \$ 367,204 151,644 |
| | 17,500 | | 1,173 | | 237,993 | | 15,383 142,000 | 15,383 142,000 | 253,376 142,000 |
| | | | | | 21,067 50,241 136,398 | | 24,244 36,555 | 24,244 36,555 | 74,485 172,953 |
| | | | | | 8,650 88,634 293,646 | | 200 149,831 | 200 149,831 | 8,650 88,834 443,477 |
| <u>8,023</u> | <u>198,969</u> | <u>4,679</u> | <u>22,190</u> | <u>\$ -0-</u> | <u>1,313,618</u> | <u>10,737</u> | <u>544,335</u> | <u>555,072</u> | <u>1,868,690</u> |
| | | | | | | | 4,750,000 | 4,750,000 | 4,750,000 |
| | | | | | 199,964 199,964 | | 4,750,000 | 4,750,000 | 199,964 4,949,964 |
| <u>8,023</u> | <u>198,969</u> | <u>4,679</u> | <u>22,190</u> | <u>-0-</u> | <u>1,513,582</u> | <u>10,737</u> | <u>5,294,335</u> | <u>5,305,072</u> | <u>6,818,654</u> |
| | | | | | 26,313,542 20,500 | | | | 26,313,542 20,500 |
| <u>540,414</u> | | | | | <u>26,334,042</u> | | | | <u>26,334,042</u> |
| <u>1,533,984</u> | <u>1,387,240</u> | <u>(1)</u> | <u>3,070</u> | | <u>10,420,100</u> | <u>45,159</u> | <u>1,660,585</u> | <u>1,705,744</u> | <u>12,125,844</u> |
| <u>\$2,074,398</u> | <u>\$1,387,240</u> | <u>(\$ 1)</u> | <u>\$ 3,070</u> | <u>\$ -0-</u> | <u>\$36,754,142</u> | <u>\$ 45,159</u> | <u>\$1,660,585</u> | <u>\$1,705,744</u> | <u>\$38,459,886</u> |
| <u>\$2,082,421</u> | <u>\$1,586,209</u> | <u>\$ 4,678</u> | <u>\$ 25,260</u> | <u>\$ -0-</u> | <u>\$38,267,724</u> | <u>\$ 55,896</u> | <u>\$6,954,920</u> | <u>\$7,010,816</u> | <u>\$45,278,540</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Retained Earnings FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds Year Ended June 30, 2002

| FDS Line Item No. | Account Description | Business Activities | 14.850 A Low Rent Public Housing | 14.182 Section 8 New Construction Concord Manor | 14.871 Housing Choice Voucher Program |
|--|---|--------------------------|--|---|---|
| Revenue | | | | | |
| 703 | Net tenant rental revenue | \$ 42,730 | \$ 1,707,075 | | |
| 704 | Tenant revenue - other | 47 | 145,293 | | |
| 705 | Total tenant revenue | <u>42,777</u> | <u>1,852,368</u> | \$ -0- | \$ -0- |
| 706 | HUD PHA operating grants | | 3,472,505 | 189,845 | 15,025,291 |
| 706.1 | Capital grants | | | | |
| 711 | Investment income - unrestricted | 20,341 | 142,569 | | 130,300 |
| 714 | Fraud recovery | | | | 38,075 |
| 715 | Other revenue | 351,323 | 31,149 | | 22,955 |
| 716 | Gain or loss on the sale of fixed assets | | 335,976 | | |
| 720 | Investment income - restricted | | | | 11,901 |
| 700 | Total revenue | <u>414,441</u> | <u>5,834,567</u> | <u>189,845</u> | <u>15,228,522</u> |
| Expenses | | | | | |
| Administrative: | | | | | |
| 911 | Administrative salaries | | 872,591 | | 687,091 |
| 912 | Auditing fees | | 14,225 | | 8,700 |
| 913 | Outside management fees | | | 15,879 | |
| 914 | Compensated absences | | 3,709 | | (4,641) |
| 915 | Employee benefit contributions - administrative | | 311,973 | | 298,092 |
| 916 | Other operating - administrative | 10,057 | 230,704 | | 99,081 |
| | Subtotal | <u>10,057</u> | <u>1,433,202</u> | <u>15,879</u> | <u>1,088,323</u> |
| Tenant Services: | | | | | |
| 921 | Tenant services - salaries | | 18,203 | | |
| 923 | Employee benefit contributions - tenant services | | 9,673 | | |
| 924 | Tenant services - other | | 38,665 | | |
| | Subtotal | | <u>66,541</u> | | |
| Utilities: | | | | | |
| 931 | Water | 589 | 222,663 | | 153 |
| 932 | Electricity | 4,065 | 328,644 | | 7,058 |
| 933 | Gas | 4,345 | 200,463 | | 2,273 |
| 938 | Other utilities expense | 607 | 306,862 | | 115 |
| | Subtotal | <u>9,606</u> | <u>1,058,632</u> | | <u>9,599</u> |
| Ordinary Maintenance and Operation: | | | | | |
| 941 | Ordinary maintenance and operations - labor | 2,376 | 939,608 | | |
| 942 | Ordinary maintenance and operations - materials and other | 1,386 | 328,732 | | 6,757 |
| 943 | Ordinary maintenance and operations - contract costs | 2,861 | 597,424 | 634 | 66,965 |
| 945 | Employee benefit contributions - ordinary maintenance | | 352,864 | | |
| | Subtotal | <u>6,623</u> | <u>2,218,628</u> | <u>634</u> | <u>73,722</u> |
| Protective Services: | | | | | |
| 951 | Protective services - labor | | | | |
| 952 | Protective services - other contract costs | | | | |
| | Subtotal | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| General Expenses: | | | | | |
| 961 | Insurance premiums | 830 | 134,259 | | 7,359 |
| 962 | Other general expenses | | 143 | | |
| 963 | Payments in lieu of taxes | 270 | 50,393 | | |
| 964 | Bad debt - tenant rents | | 46,807 | | |
| 967 | Interest expense | | | | 12,990 |
| 968 | Severance expense | | 56,107 | | 1,462 |
| | Subtotal | <u>1,100</u> | <u>287,709</u> | <u>-0-</u> | <u>21,811</u> |
| 969 | Total operating expenses | <u>27,386</u> | <u>5,064,712</u> | <u>16,513</u> | <u>1,193,455</u> |
| 970 | Excess operating revenue over operating expenses | 387,055 | 769,855 | 173,332 | 14,035,067 |
| 971 | Extraordinary maintenance | | 79,811 | | 1,774 |
| 972 | Casualty losses - non-capitalized | | 30,892 | | |
| 973 | Housing assistance payments | | | 173,333 | 13,575,783 |
| 974 | Depreciation expense | 4,733 | 1,977,117 | | 32,975 |
| | Subtotal | <u>4,733</u> | <u>2,087,820</u> | <u>173,333</u> | <u>13,610,532</u> |
| 900 | Total expense | <u>32,119</u> | <u>7,152,532</u> | <u>189,846</u> | <u>14,803,987</u> |
| 1000 | Excess (deficiency) of total revenue over (under) total expenses | 382,322 | (1,317,965) | (1) | 424,535 |
| 1103 | Beginning equity | 472,297 | 30,181,503 | 1 | 3,158,894 |
| 1104 | Prior period adjustments, equity transfers and correction of errors | | | | (12,151) |
| ENDING EQUITY - JUNE 30, 2002 | | <u>\$ 854,619</u> | <u>\$28,863,538</u> | <u>\$ -0-</u> | <u>\$ 3,571,278</u> |

| 14.852 & 14.859 Comp Grant | 14.872 Public Housing Capital Fund Program | 14.870 Ross Grant | 14.854 Drug Elimination | 14.238 Shelter Plus Care Grant | Total PHA | Component Unit 14.312 New Approach | Component Unit 14.871 Section 8 Program | Total Elderly | Total |
|-------------------------------------|--|-------------------------|-------------------------------|---|---------------------|---|--|--------------------|---------------------|
| | | | | | \$ 1,749,805 | | \$ 463,917 | \$ 463,917 | \$ 2,213,722 |
| | | | | | 145,340 | | 9,750 | 9,750 | 155,090 |
| \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | 1,895,145 | \$ -0- | 473,667 | 473,667 | 2,368,812 |
| 32,434 | 458,857 | 22,988 | 419,835 | 213,117 | 19,834,872 | 32,846 | 718,478 | 751,324 | 20,586,196 |
| 435,681 | 1,368,398 | | 3,730 | | 1,807,809 | 40,181 | | 40,181 | 1,847,990 |
| | | | | | 293,210 | | 147,620 | 147,620 | 440,830 |
| | | | | | 38,075 | | | | 38,075 |
| | | | | | 405,427 | | 1,000 | 1,000 | 406,427 |
| | | | | | 335,976 | | | | 335,976 |
| | | | | | 11,901 | | 17,340 | 17,340 | 29,241 |
| 468,115 | 1,827,255 | 22,988 | 423,565 | 213,117 | 24,622,415 | 73,027 | 1,358,105 | 1,431,132 | 26,053,547 |
| (26,047) | 192,288 | | | | 1,725,923 | | 148,127 | 148,127 | 1,874,050 |
| | | | | 13,929 | 22,925 | | 4,950 | 4,950 | 27,875 |
| | 17,500 | | (664) | | 29,808 | | 21,559 | 21,559 | 51,367 |
| | | | | | 15,904 | | 2,466 | 2,466 | 18,370 |
| | 59,921 | | | | 669,986 | | 35,996 | 35,996 | 705,982 |
| (26,047) | 269,709 | -0- | (664) | 13,929 | 339,842 | (27) | 21,159 | 21,132 | 360,974 |
| | | | | | 2,804,388 | (27) | 234,257 | 234,230 | 3,038,618 |
| | 10,659 | | | | 28,862 | | | | 28,862 |
| | 4,402 | | | | 14,075 | | | | 14,075 |
| -0- | 15,061 | 22,989 | 185,670 | -0- | 247,324 | -0- | -0- | -0- | 247,324 |
| | | 22,989 | 185,670 | | 290,261 | | | | 290,261 |
| | | | | | 223,405 | | 15,377 | 15,377 | 238,782 |
| | | | | | 339,767 | | 162,383 | 162,383 | 502,150 |
| | | | | | 207,081 | | 885 | 885 | 207,966 |
| | | | | | 307,584 | | 29,254 | 29,254 | 336,838 |
| -0- | -0- | -0- | -0- | -0- | 1,077,837 | -0- | 207,899 | 207,899 | 1,285,736 |
| | | | | | 941,984 | | 75,493 | 75,493 | 1,017,477 |
| | 60,997 | | | | 397,872 | 2,495 | 32,705 | 35,200 | 433,072 |
| | | | | | 667,884 | | 120,873 | 120,873 | 788,757 |
| -0- | 60,997 | -0- | -0- | -0- | 352,864 | -0- | 35,690 | 35,690 | 388,554 |
| | | | | | 2,360,604 | 2,495 | 264,761 | 267,256 | 2,627,860 |
| 98,403 | | | 78,801 | | 78,801 | | | | 78,801 |
| 98,403 | -0- | -0- | 154,190 | -0- | 252,593 | 23,530 | -0- | 23,530 | 276,123 |
| | | | 232,991 | -0- | 331,394 | 23,530 | -0- | 23,530 | 354,924 |
| | | | | (135) | 142,448 | | 8,363 | 8,363 | 150,811 |
| | | | | | 8 | | | | 8 |
| | | | | | 50,663 | | 24,244 | 24,244 | 74,907 |
| | | | | | 46,807 | | (837) | (837) | 45,970 |
| | | | | | 12,990 | | 310,331 | 310,331 | 323,321 |
| | | | | | 57,569 | | | | 57,569 |
| -0- | -0- | -0- | -0- | (135) | 310,485 | -0- | 342,101 | 342,101 | 652,586 |
| 72,356 | 345,767 | 22,989 | 417,997 | 13,794 | 7,174,969 | 25,998 | 1,049,018 | 1,075,016 | 8,249,985 |
| 395,759 | 1,481,488 | (1) | 5,568 | 199,323 | 17,447,446 | 47,029 | 309,087 | 356,116 | 17,803,562 |
| 10,529 | 113,091 | | | | 205,205 | | 1,753 | 1,753 | 206,958 |
| | | | | | 30,892 | | (200) | (200) | 30,692 |
| | | | | 199,221 | 13,948,337 | | | | 13,948,337 |
| 111,095 | 62,202 | | 661 | | 2,188,783 | 1,870 | 158,403 | 160,273 | 2,349,056 |
| 121,624 | 175,293 | -0- | 661 | 199,221 | 16,373,217 | 1,870 | 159,956 | 161,826 | 16,535,043 |
| 193,980 | 521,060 | 22,989 | 418,658 | 213,015 | 23,548,186 | 27,868 | 1,208,974 | 1,236,842 | 24,785,028 |
| 274,135 | 1,306,195 | (1) | 4,907 | 102 | 1,074,229 | 45,159 | 149,131 | 194,290 | 1,268,519 |
| 1,800,263 | 81,045 | | (1,837) | (102) | 35,692,064 | | 1,431,841 | 1,431,841 | 37,123,905 |
| | | | | | (12,151) | | 79,613 | 79,613 | 67,462 |
| \$2,074,398 | \$1,387,240 | (\$ 1) | \$ 3,070 | \$ -0- | \$36,754,142 | \$ 45,159 | \$1,660,585 | \$1,705,744 | \$38,459,886 |

LORAIN METROPOLITAN HOUSING AUTHORITY

Additional Information Required by HUD

FDS Schedule Submitted to HUD Proprietary Fund Type Enterprise Funds

Year Ended June 30, 2002

| FDS Line Item No. | Account Description | Business Activities | 14.850 A Low Rent Public Housing | 14.182 Section 8 New Construction Concord Manor | 14.871 Housing Choice Voucher Program |
|----------------------|--|------------------------|--|---|---|
| 1112 | Depreciation "add back" | | \$ 1,974,512 | | |
| 1113 | Maximum annual contributions commitment (per ACC) | | | \$196,699 | \$13,545,648 |
| 1115 | Contingency reserve, ACC program service | | | 128,929 | 1,745,335 |
| 1116 | Total annual contributions available | | | 325,628 | 15,290,983 |
| 1120 | Unit months available | \$ 84 | 17,388 | 600 | 31,008 |
| 1121 | Number of unit months leased | 79 | 16,995 | 589 | 31,194 |

| <u>14.852</u> | <u>14.872</u> | | | <u>14.238</u> | | <u>Component</u> | <u>Component</u> | | |
|-------------------|---------------------|---------------|--------------------|------------------|------------------|--------------------|--------------------|----------------------|--------------|
| <u>&</u> | <u>Public</u> | <u>14.870</u> | <u>14.854</u> | <u>Shelter</u> | <u>Total PHA</u> | <u>Unit 14.312</u> | <u>Unit 14.871</u> | | |
| <u>14.859</u> | <u>Capital Fund</u> | <u>Ross</u> | <u>Drug</u> | <u>Plus Care</u> | | <u>New</u> | <u>Section 8</u> | | |
| <u>Comp Grant</u> | <u>Program</u> | <u>Grant</u> | <u>Elimination</u> | <u>Grant</u> | | <u>Approach</u> | <u>Program</u> | <u>Total Elderly</u> | <u>Total</u> |
| \$ 111,095 | | | | | \$ 2,085,607 | | | | \$ 2,085,607 |
| | | | | | 13,742,347 | | | | 13,742,347 |
| | | | | | 1,874,264 | | | | 1,874,264 |
| | | | | | 15,616,611 | | | | 15,616,611 |
| | | | | \$ 584 | 49,664 | | \$ 2,400 | \$ 2,400 | 52,064 |
| | | | | 584 | 49,441 | | 2,306 | 2,306 | 51,747 |

LORAIN METROPOLITAN HOUSING AUTHORITY

Schedule of Completed Grants/Certificates Year Ended June 30, 2002

No grants were completed during fiscal year 2002.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 27, 2002

To the Members of the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have audited the accompanying general purpose financial statements of the Lorain Metropolitan Housing Authority (LMHA) and the discretely presented component unit Lorain County Elderly Housing Corporation (LCEHC) as of June 30, 2002 for the year then ended and have issued our report thereon dated August 27, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the LMHA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LMHA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of LMHA in a separate letter dated August 27, 2002

To the Members of the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

This report is intended for the information of the boards of LMHA and LCEHC, management, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs, Inc.



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

August 27, 2002

To the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

We have audited the Lorain Metropolitan Housing Authority's (LMHA) compliance and its discretely presented component unit-Lorain County Elderly Housing Corporation's (LCEHC) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget OMB-A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. LMHA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LMHA's management. Our responsibility is to express an opinion on the LMHA's compliance based on our audit.

The financial statements of LMHA include the discretely presented component unit - Lorain County Elderly Housing Corporation, which received \$791,505 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2002.

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, 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 LMHA's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the LMHA's compliance with those requirements.

In our opinion, LMHA and LCEHC complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

To the Members of the Board of Commissioners of the
Lorain Metropolitan Housing Authority
Lorain, Ohio

Internal Control Over Compliance

The management of LMHA 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 LMHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the boards of LMHA and LCEHC, management, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Barnes Wendling CPAs, Inc.

LORAIN METROPOLITAN HOUSING AUTHORITY

Schedule of Findings and Questioned Costs Year Ended June 30, 2002

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified?
that are not considered to be
material weaknesses? _____ Yes X none reported

Noncompliance material to financial
statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Reportable condition(s) identified?
that are not considered to be
material weaknesses? _____ Yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:
CFDA Number(s)

Name of Federal Program or Cluster

14.871

Section 8 Housing Program

Dollar threshold used to distinguish between
type A and type B programs:

\$ 649,280

Auditee qualified as low-risk auditee?

X Yes _____ No

Section II--Financial Statement Findings

None

Section III--Federal Award Findings and Questioned Costs

None

LORAIN METROPOLITAN HOUSING AUTHORITY

Status of Prior Year Findings Year Ended June 30, 2002

There were no significant or material findings or questioned costs included in the prior year reports.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LORAIN METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 7, 2003**