

LORAIN METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 16, 2007

This Page is Intentionally Left Blank.

LORAIN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Statement of Net Assets	9-10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	13-27
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Supplemental Data:	
Combined Balance Sheet by Program - (FDS Schedule Format)	30-31
Combining Statement of Revenues, Expenses, and Changes in Equity by Program - (FDS Schedule Format)	32-33
Schedule of Completed Grants/Certificates	34
Schedule of Units Under LMHA Management	35
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	38-39
Schedule of Findings and Questioned Costs	40
Status of Prior Year Findings	41

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2006, and for the year then ended, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lorain Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006, on our consideration of the Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Lorain Metropolitan Housing Authority, Ohio. The combining Financial Data Schedules (FDS) and Schedule of Completed Grant Certificates are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 17, 2006

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

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

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

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$1,476,993, or 3.8 percent, during 2006. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$40,452,471 and \$38,975,478 for 2006 and 2005, respectively.
- The business-type activities revenue increased by \$2,320,674, or 8.6 percent, during 2006 and were \$29,316,929 and \$26,996,255 for 2006 and 2005, respectively.
- The total expenses, before extraordinary items, of all Authority programs increased by \$1,167,798, or 4.2 percent. Total expenses, before extraordinary items, were \$29,087,195 and \$27,919,397 for 2006 and 2005, respectively.

Financial Statements

The Authority's financial statements include a Statement of Net Assets, which is similar to a balance sheet. The Statement of Net Assets reports all financial and capital resources of the Authority. The Statement is presented in a format where assets minus liabilities equal Net Assets, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible into cash within one year) and "non-current".

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

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

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

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

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

The Authority's Programs

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

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

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

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

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

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

Table 1 - Statement of Net Assets

	2006	2005
<u>Assets</u>		
Current and Other Assets	\$ 11,734,659	\$ 11,375,865
Capital Assets	<u>34,344,532</u>	<u>35,459,499</u>
Total Assets	<u>46,079,191</u>	<u>45,835,364</u>
<u>Liabilities</u>		
Other Liabilities	1,546,710	2,314,584
Long-Term Liabilities	<u>4,384,602</u>	<u>4,545,302</u>
Total Liabilities	<u>5,931,312</u>	<u>6,859,886</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	31,103,038	31,044,594
Restricted	930,040	972,577
Unrestricted	<u>8,114,801</u>	<u>6,958,307</u>
Total Net Assets	<u>\$40,147,879</u>	<u>\$38,975,478</u>

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

Major Factors Affecting the Statement of Net Assets

Current assets were increased by \$358,794 while current liabilities were decreased by \$767,874. Current assets, primarily cash and investments, increased primarily due to overfunding of the Section 8 program, which was caused by a decreased average housing assistance payments during the fiscal year. Current liabilities decreased primarily due to the effects of PIH Notice 2006-03, which repositioned Section 8 overfunding as an accounts payable due HUD to Section 8 equity.

Capital assets decreased by \$114,967 from \$34,459,499 to \$34,344,532. For more detail, see the section Capital Assets and Debt Administration.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

Table 2 - Change of Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2005	\$ 6,958,307
Results of Operations	1,172,402
Adjustments:	
Depreciation (1)	<u>2,782,182</u>
Adjusted Results from Operations	3,954,584
Capital Expenditures	<u>(2,798,089)</u>
Unrestricted Net Assets at June 30, 2006	<u>\$ 8,114,802</u>

(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 is 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 - Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2006</u>	<u>2005</u>
<u>Revenues</u>		
Tenant Revenue - Rents and Other	\$ 2,291,585	\$ 2,324,502
Operating Subsidies and Grants	24,404,873	23,223,214
Capital Grants	2,429,884	1,276,377
Investment Income	442,156	223,717
Other Revenues	<u>190,587</u>	<u>172,162</u>
Total Revenues	<u>29,759,085</u>	<u>27,219,972</u>
<u>Expenses</u>		
Administrative	4,065,575	3,616,892
Tenant Services	135,275	131,180
Utilities	1,806,813	1,540,845
Maintenance	2,576,408	2,921,781
Protective Services	379,687	388,443
General	820,990	800,966
Housing Assistance Payments	16,430,265	15,771,862
Depreciation	<u>2,872,182</u>	<u>2,747,428</u>
Total Expenses before Extraordinary Item	29,087,195	27,919,397
Extraordinary Item	<u>(500,511)</u>	<u>(62,782)</u>
Total Expenses after Extraordinary Item	<u>28,586,684</u>	<u>27,856,615</u>
Net Increase/(Decrease)	<u>\$ 1,172,401</u>	<u>\$ (636,643)</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

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

Total revenues increased by \$2,539,113. This net increase is a result of a substantial increase in the Capital Fund modernization building activity in fiscal year 2006, full utilization of all available Section 8 vouchers, and the requirement to recognize Section 8 budget authority as revenue.

Total expenses before extraordinary items increased \$1,167,798 due to full utilization of Section 8 vouchers, increased utility costs, and general increases in expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$34,459,499 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$989,514 from the end of last year.

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

	2006	2005
Land	\$ 5,187,870	\$ 5,094,577
Buildings	67,765,642	65,655,707
Office Equipment	747,863	702,897
Maintenance Equipment/Vehicles	914,929	898,781
Construction in Progress	879,563	454,664
Less Accumulated Depreciation	<u>(41,151,333)</u>	<u>(38,347,128)</u>
Total Capital Assets	<u>\$34,344,534</u>	<u>\$34,459,498</u>

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

Table 5 - Change in Capital Assets

Beginning Balance	\$34,459,498
Additions	2,760,391
Retirements, net of Depreciation	(71,154)
Depreciation	<u>(2,804,202)</u>
Ending Balance	<u>\$34,344,533</u>

This year's major additions are:

Capital Improvements Programs	\$ 2,534,833
Equipment Purchases	132,265
Land Purchases	93,293
Total Additions	<u>\$ 2,760,391</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$4,255,000 in debt (bonds) outstanding compared to \$4,430,000 last year, a \$175,000 decrease (debt retirement). No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	2006	2005
Refinance of Construction and Acquisition	\$ 4,255,000	\$ 4,430,000
Less: Current Portion	(185,000)	(175,000)
Total Outstanding Debt	\$ 4,070,000	\$ 4,255,000

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>June 30, 2006</u>			<u>June 30, 2005</u>		
	<u>Primary</u>	<u>Component</u>		<u>Primary</u>	<u>Component</u>	
	<u>Government</u>	<u>Unit</u>		<u>Government</u>	<u>Unit</u>	
	Lorain	Lorain County		Lorain	Lorain County	
Metropolitan Housing Authority	Elderly Housing Corporation	Total (Memorandum Only)	Metropolitan Housing Authority	Elderly Housing Corporation	Total (Memorandum Only)	
ASSETS						
Current Assets						
Cash and Equivalents:						
Cash and Cash Equivalents	\$ 486,103	\$ 51,102	\$ 537,205	\$ 1,025,909	\$ 146,232	\$ 1,172,141
Cash - Restricted	66,286	0	66,286	77,497	0	77,497
Cash - Tenant Security Deposits	<u>147,027</u>	<u>42,852</u>	<u>189,879</u>	<u>150,156</u>	<u>40,042</u>	<u>190,198</u>
Total Cash and Cash Equivalents	<u>699,416</u>	<u>93,954</u>	<u>793,370</u>	<u>1,253,562</u>	<u>186,274</u>	<u>1,439,836</u>
Accounts and Notes Receivable:						
HUD - Other Projects	351,175	0	351,175	571,758	0	571,758
Miscellaneous	2,043	9,745	11,788	68,402	4,724	73,126
Tenants, Net	67,067	5,566	72,633	74,168	6,726	80,894
Fraud Recovery Receivable	113,783	2,818	116,601	86,100	0	86,100
Accrued Interest Receivable	<u>90,894</u>	<u>29,660</u>	<u>120,554</u>	<u>55,711</u>	<u>18,116</u>	<u>73,827</u>
Total Accounts and Notes Receivable	<u>624,962</u>	<u>47,789</u>	<u>672,751</u>	<u>856,139</u>	<u>29,566</u>	<u>885,705</u>
Other Current Assets:						
Investments - Unrestricted	7,026,000	2,067,000	9,093,000	5,834,000	1,987,000	7,821,000
Investments - Restricted	0	863,754	863,754	0	895,080	895,080
Inventories, Net	249,177	0	249,177	217,436	0	217,436
Prepaid Expenses and Other Assets	29,993	14,562	44,555	29,164	14,809	43,973
Due from Component Unit	<u>18,052</u>	<u>0</u>	<u>18,052</u>	<u>72,835</u>	<u>0</u>	<u>72,835</u>
Total Other Current Assets	<u>7,323,222</u>	<u>2,945,316</u>	<u>10,268,538</u>	<u>6,153,435</u>	<u>2,896,889</u>	<u>9,050,324</u>
Total Current Assets	<u>8,647,600</u>	<u>3,087,059</u>	<u>11,734,659</u>	<u>8,263,136</u>	<u>3,112,729</u>	<u>11,375,865</u>
Non-Current Assets						
Capital Assets						
Land, Structures, and Equipment	67,787,575	7,708,289	75,495,864	65,294,899	7,511,727	72,806,626
Less Accumulated Depreciation	<u>(37,170,675)</u>	<u>(3,980,657)</u>	<u>(41,151,332)</u>	<u>(34,573,686)</u>	<u>(3,773,441)</u>	<u>(38,347,127)</u>
Total Non-Current Assets	<u>30,616,900</u>	<u>3,727,632</u>	<u>34,344,532</u>	<u>30,721,213</u>	<u>3,738,286</u>	<u>34,459,499</u>
TOTAL ASSETS	<u>\$39,264,500</u>	<u>\$ 6,814,691</u>	<u>\$46,079,191</u>	<u>\$38,984,349</u>	<u>\$ 6,851,015</u>	<u>\$ 45,835,364</u>

See notes to the financial statements

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2006
(CONTINUED)

	June 30, 2006			June 30, 2005		
	Primary	Component		Primary	Component	
	<u>Government</u>	<u>Unit</u>		<u>Government</u>	<u>Unit</u>	
	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation	Total (Memorandum Only)	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation	Total (Memorandum Only)
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 315,145	\$ 7,864	\$ 323,009	\$ 146,337	\$ 4,267	\$ 150,604
Accrued Wages and Payroll Taxes	63,932	5,384	69,316	217,648	17,479	235,127
Accrued Compensated Absences	218,580	14,991	233,571	208,956	16,477	225,433
Accrued Interest Payable	0	124,326	124,326	0	129,438	129,438
Accounts Payable - HUD PHA Programs	313,862	0	313,862	814,337	0	814,337
Accounts Payable - PILOT and Other	0	26,935	26,935	18,364	24,839	43,203
Tenant Security Deposits	140,442	40,190	180,632	138,189	40,036	178,225
Current Portion of Long-Term Debt	0	185,000	185,000	0	175,000	175,000
Other Current Liabilities	42,303	29,704	72,007	290,357	25	290,382
Due to Primary Government	0	18,052	18,052	0	72,835	72,835
Total Current Liabilities	<u>1,094,264</u>	<u>452,446</u>	<u>1,546,710</u>	<u>1,834,188</u>	<u>480,396</u>	<u>2,314,584</u>
Non-Current Liabilities						
Long-Term Debt, Net of Current Portion	0	4,070,000	4,070,000	0	4,255,000	4,255,000
Accrued Compensated Absences	154,095	16,311	170,406	113,641	11,803	125,444
Non-Current Liabilities - FSS Escrow and Others	144,196	0	144,196	164,858	0	164,858
Total Non-Current Liabilities	<u>298,291</u>	<u>4,086,311</u>	<u>4,384,602</u>	<u>278,499</u>	<u>4,266,803</u>	<u>4,545,302</u>
TOTAL LIABILITIES	<u>1,392,555</u>	<u>4,538,757</u>	<u>5,931,312</u>	<u>2,112,687</u>	<u>4,747,199</u>	<u>6,859,886</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	30,616,900	486,138	31,103,038	30,721,212	323,382	31,044,594
Temporarily Restricted Net Assets	66,286	863,754	930,040	77,497	895,080	972,577
Unrestricted Net Assets	7,188,759	926,042	8,114,801	6,072,953	885,354	6,958,307
TOTAL NET ASSETS	<u>37,871,945</u>	<u>2,275,934</u>	<u>40,147,879</u>	<u>36,871,662</u>	<u>2,103,816</u>	<u>38,975,478</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$39,264,500</u>	<u>\$ 6,814,691</u>	<u>\$46,079,191</u>	<u>\$ 38,984,349</u>	<u>\$ 6,851,015</u>	<u>\$ 45,835,364</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30, 2006			June 30, 2005		
	Primary	Component		Primary	Component	
	Government	Unit		Government	Unit	
	Lorain	Lorain County		Lorain	Lorain County	
	Metropolitan	Elderly	Total	Metropolitan	Elderly	Total
	Housing	Housing	(Memorandum	Housing	Housing	(Memorandum
	Authority	Corporation	Only)	Authority	Corporation	Only)
Operating Revenue						
Net Tenant Rental Revenue	\$ 1,642,391	\$ 494,350	\$ 2,136,741	\$ 1,699,680	\$ 481,939	\$ 2,181,619
Tenant Revenue - Other	147,321	7,523	154,844	137,878	5,005	142,883
	<u>1,789,712</u>	<u>501,873</u>	<u>2,291,585</u>	<u>1,837,558</u>	<u>486,944</u>	<u>2,324,502</u>
HUD PHA Operating Grants	23,540,674	864,199	24,404,873	22,365,038	858,176	23,223,214
Fraud Recovery Receivable	45,951	0	45,951	35,821	0	35,821
Other Revenue	134,881	8,168	143,049	130,047	7,495	137,542
Gain (loss) on capital assets	1,587	0	1,587	(1,201)	0	(1,201)
Total Operating Revenues	<u>25,512,805</u>	<u>1,374,240</u>	<u>26,887,045</u>	<u>24,367,263</u>	<u>1,352,615</u>	<u>25,719,878</u>
Operating Expenses						
Administrative	3,722,050	343,525	4,065,575	3,301,651	315,241	3,616,892
Tenant Services	134,428	847	135,275	130,902	278	131,180
Utilities	1,590,195	216,618	1,806,813	1,326,054	214,791	1,540,845
Ordinary Maintenance and Operation	2,356,877	219,531	2,576,408	2,670,617	251,164	2,921,781
Protective Services	379,687	0	379,687	388,443	0	388,443
Insurance Premiums	290,866	29,780	320,646	260,643	28,182	288,825
Other General Expenses	11	0	11	0	0	0
Payments in Lieu of Taxes	1,526	26,935	28,461	18,819	24,819	43,638
Bad Debt	91,425	9,834	101,259	80,568	5,754	86,322
Severance Expense	13,136	0	13,136	1,880	0	1,880
Extraordinary Maintenance	78,960	0	78,960	90,887	0	90,887
Casualty Losses - Non-Capitalized	6,795	0	6,795	6,564	0	6,564
Housing Assistance Payments	16,430,265	0	16,430,265	15,771,862	0	15,771,862
Depreciation Expense	2,664,966	207,216	2,872,182	2,560,547	186,881	2,747,428
Total Operating Expenses	<u>27,761,187</u>	<u>1,054,286</u>	<u>28,815,473</u>	<u>26,609,437</u>	<u>1,027,110</u>	<u>27,636,547</u>
Operating Income	<u>(2,248,382)</u>	<u>319,954</u>	<u>(1,928,428)</u>	<u>(2,242,174)</u>	<u>325,505</u>	<u>(1,916,669)</u>
Non-Operating Revenues (Expenses)						
Investment Income - Unrestricted	277,075	94,971	372,046	150,807	54,599	205,406
Investment Income - Temporarily Restricted	41,195	28,915	70,110	5,304	13,007	18,311
Interest Expense	0	(271,722)	(271,722)	0	(282,850)	(282,850)
Total Non-Operating Revenues (Expenses)	<u>318,270</u>	<u>(147,836)</u>	<u>170,434</u>	<u>156,111</u>	<u>(215,244)</u>	<u>(59,133)</u>
Income (Loss) Before Capital Contributions and Extraordinary Item	(1,930,112)	172,118	(1,757,994)	(2,086,063)	110,261	(1,975,802)
Capital Contributions	2,429,884	0	2,429,884	1,276,377	0	1,276,377
Extraordinary Item	0	0	0	62,782	0	62,782
Special Item	500,511	0	500,511	0	0	0
Change in Net Assets	1,000,283	172,118	1,172,401	(746,904)	110,261	(636,643)
Total Net Assets - Beginning	<u>36,871,662</u>	<u>2,103,816</u>	<u>38,975,478</u>	<u>37,618,566</u>	<u>1,993,555</u>	<u>39,612,121</u>
Total Net Assets - Ending	<u>\$37,871,945</u>	<u>\$ 2,275,934</u>	<u>\$40,147,879</u>	<u>\$36,871,662</u>	<u>\$ 2,103,816</u>	<u>\$38,975,478</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30, 2006			June 30, 2005		
	Primary Government	Component Unit	Total (Memorandum Only)	Primary Government	Component Unit	Total (Memorandum Only)
	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation		Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation	
Cash Flows from Operating Activities						
Tenant Revenue Received	\$ 1,755,867	\$ 500,215	\$ 2,256,082	\$ 1,819,423	\$ 482,521	\$ 2,301,944
Other Revenue Received	264,294	3,301	267,595	92,064	11,252	103,316
General and Administrative Expenses Paid	(25,350,666)	(820,524)	(26,171,190)	(23,063,658)	(913,110)	(23,976,768)
Net Cash Provided (Used) by Operating Activities	(23,330,505)	(317,008)	(23,647,513)	(21,152,171)	(419,337)	(21,571,508)
Cash Flows from Non-Capital Financing Activities						
Government Operating Grants Received	23,542,675	864,199	24,406,874	22,412,525	858,176	23,270,701
Increases/Decreases in Due To/ Due From Related Activity	54,783	(54,783)	0	(57,437)	57,437	0
Net Cash Provided (Used) by Financing Activities	23,597,458	809,416	24,406,874	22,355,088	915,613	23,270,701
Cash Flows from Capital and Related Financing Activities						
Government Capital Grants Received	2,648,466	0	2,648,466	991,573	0	991,573
Purchases of Land, Structures, and Equipment	(2,560,652)	(196,562)	(2,757,214)	(1,566,618)	(195,289)	(1,761,907)
Payments to Retire Long-Term Debt	0	(175,000)	(175,000)	0	(165,000)	(165,000)
Interest Paid	0	(276,834)	(276,834)	0	(287,672)	(287,672)
Disposal of Land, Structures, and Equipment	0	0	0	3,995	0	3,995
Net Cash Provided (Used) by Capital and Related Financing Activities	87,814	(648,396)	(560,582)	(571,050)	(647,961)	(1,219,011)
Cash Flows from Investing Activities						
Purchase from Investments	(14,600,000)	(6,074,712)	(20,674,712)	(11,116,000)	(6,381,570)	(17,497,570)
Proceeds from Sale of Investments	13,408,000	6,026,038	19,434,038	10,542,000	6,389,003	16,931,003
Interest Received	283,087	112,342	395,429	116,884	55,958	172,842
Net Cash Provided (Used) by Investing Activities	(908,913)	63,668	(845,245)	(457,116)	63,391	(393,725)
Increase (Decrease) in Cash and Cash Equivalents	(554,146)	(92,320)	(646,466)	174,751	(88,294)	86,457
Cash and Cash Equivalents - Beginning of Year	1,253,562	186,274	1,439,836	1,078,811	274,568	1,353,379
Cash and Cash Equivalents - End of Year	\$ 699,416	\$ 93,954	\$ 793,370	\$ 1,253,562	\$ 186,274	\$ 1,439,836
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Change in Net Assets	\$ 1,000,284	\$ 172,118	\$ 1,172,402	\$ (746,904)	\$ 110,261	\$ (636,643)
Adjustments to Change in Net Assets:						
HUD PHA Operating Grants	(23,540,674)	(864,199)	(24,404,873)	(22,365,038)	(858,176)	(23,223,214)
Capital Grants	(2,429,884)	0	(2,429,884)	(1,276,377)	0	(1,276,377)
Interest Income/Expense	(318,270)	147,836	(170,434)	(156,111)	215,244	59,133
Add Back Non-Cash Items:						
Depreciation Expense	2,664,966	207,216	2,872,182	2,560,547	186,881	2,747,428
Decrease (Increase) in Operating Assets:						
Accounts Receivable	45,777	(6,679)	39,098	(89,972)	(1,494)	(91,466)
Prepaid Expenses	(831)	247	(584)	70,291	8,469	78,760
Inventory	(31,741)	0	(31,741)	17,995	0	17,995
Increase (Decrease) in Operating Liabilities:						
Accounts Payable	(331,667)	3,597	(328,070)	705,886	(90,276)	615,610
Accrued Liabilities	(370,101)	20,760	(349,341)	141,108	7,005	148,113
Other Liabilities	(18,364)	2,096	(16,268)	(13,596)	2,749	(10,847)
Net Cash Used by Operating Activities	\$(23,330,505)	\$ (317,008)	\$(23,647,513)	\$(21,152,171)	\$ (419,337)	\$(21,571,508)

See notes to the financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 1: DESCRIPTION OF THE ENTITY

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

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that financial statements include all organizations, activities and functions for which LMHA is financially accountable. Under this Statement, the financial reporting entity is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. Under the definition of GASB Statement Number No. 14, the Lorain County Elderly Housing Corporation (LCEHC) a 501c(3) not for profit entity is a component unit of LMHA.

Lorain Metropolitan Housing Authority

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

In addition, LMHA participates in the Section 8 - Housing Assistance Payments Program (C-10009). Under the Section 8 Housing Program, LMHA provides assistance to low and moderate income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under these programs, LMHA enters into housing assistance 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 a seven-unit apartment complex (“Complex”) with an attached car wash. LMHA does not receive federal financial assistance to operate this Complex. Revenue received from the Complex is recorded in business activities in the supplemental schedules. Management fees earned by LMHA are also recorded in business activities.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

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

Component Unit

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

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

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

Joint Venture

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

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

Basis of Accounting

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

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

Basis of Accounting (Continued)

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts - Bad Debt Expenses

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

Fraud Recovery Receivable

Fraud recovery receivable represents the full amount of the accounts receivable from tenants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent. In the Housing Choice Voucher program, the collection of these accounts receivables are questionable. The revenues associated with these accounts receivables have been deferred and the revenue will be recognized when collection is assured, whereas all other programs utilize an allowance account.

Investments

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

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

Investments - Restricted

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 trustee approval.

Inventory

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

Land, Property, and Equipment

Land, property, and equipment are recorded at cost. Property and equipment are depreciated over the estimated useful lives of the assets. Depreciation is computed using the straight line method. Useful lives of assets are:

Buildings	40 Years
Computer equipment	3 Years
Vehicles	5 Years
Office equipment	5 Years
Other equipment	5-10 Years
Leasehold improvements	15 Years

Only items with a unit cost of \$1,000 or more and a useful life greater than one year are capitalized and depreciated.

Compensated Absences

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

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

Compensated Absences (Continued)

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

Interprogram Due To and Due From Other Entities

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

Use of Estimates

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

Budgetary Accounting

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

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

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Deposits (Continued)

carrying amount of both LMHA's and LCEHC's deposits, including restricted family self-sufficiency accounts and tenant security deposits, was \$793,370 and \$1,439,836 at June 30, 2006 and 2005, respectively, and the bank balance was \$1,117,990 and \$1,714,013 at June 30, 2006 and 2005, respectively. The difference represents outstanding checks and other in-transit transactions of the bank balance. In each balance, \$100,000 was covered by federal depository insurance and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

Investments

LMHA has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet LMHA's cash flow needs and return on investment are secondary goals of the policy. LMHA does not purchase any form of derivative. The combined carrying amount of both LMHA's and LCEHC's investments was \$9,093,000 and \$7,821,000 at June 30, 2006 and 2005, respectively, and the bank balance was the same. The investments are held in certificates of deposit greater than 3 months but less than 1 year maturity.

Trust Funds

In accordance with LCEHC contractual provisions, the JP Morgan Trust funds are restricted for designated purposes related to servicing of the debt associated with LCEHC. The carrying amount of these funds was \$863,754 and \$895,080 at June 30, 2006 and 2005, respectively.

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

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Interest Rate Risk

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

Credit Risk

LMHA invests in certificates of deposits that are covered by \$100,000 FDIC insurance and the balance is collateralized by pledged securities held in joint custody at the Federal Reserve Bank.

Concentration of Credit Risk

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

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

	June 30, 2006		
	Primary Government	Component Unit	Total
<u>Cash and Investments</u>			
Unrestricted Cash and Cash Equivalents	\$ 486,103	\$ 51,102	\$ 537,205
Unrestricted Investments	7,026,000	2,067,000	9,093,000
Restricted Cash and Investment - Tenant Security Deposits and FSS Deposits	213,313	42,852	256,165
Restricted Investments - Trustee and Endowment Fund	0	863,754	863,754
Total Cash and Investments	\$ 7,725,416	\$ 3,024,708	\$10,750,124
Carrying Amount of Deposits	\$ 699,416	\$ 93,954	\$ 793,370
Carrying Amount of Investments	7,026,000	2,930,754	9,956,754
Total	\$ 7,725,416	\$ 3,024,708	\$10,750,124
	June 30, 2005		
	Primary Government	Component Unit	Total
<u>Cash and Investments</u>			
Unrestricted Cash and Cash Equivalents	\$ 1,025,909	\$ 146,232	\$ 1,172,141
Unrestricted Investments	5,834,000	1,987,000	7,821,000
Restricted Cash and Investment - Tenant Security Deposits and FSS Deposits	227,653	40,042	267,695
Restricted Investments - Trustee and Endowment Fund	0	895,080	895,080
Total Cash and Investments	\$ 7,087,562	\$ 3,068,354	\$10,155,916
Carrying Amount of Deposits	\$ 1,253,562	\$ 186,274	\$ 1,439,836
Carrying Amount of Investments	5,834,000	2,882,080	8,716,080
Total	\$ 7,087,562	\$ 3,068,354	\$10,155,916

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

NOTE 4: RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES

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

	June 30,	
	2006	2005
<u>Lorain Metropolitan Housing Authority</u>		
<u>Business Activities</u>		
Other Non-HUD Reserves	\$ 4,074	\$ 5,005
 <u>Low-Rent Public Housing</u>		
Tenant Security Deposits	142,953	145,151
Family Self-Sufficiency Escrow Deposits	13,912	13,609
 <u>Section 8 Program</u>		
Family Self-Sufficiency Escrow Deposits	52,374	63,888
Total Lorain Metropolitan Housing Authority	\$ 213,313	\$ 227,653
 <u>Lorain County Elderly Housing Corporation</u>		
Tenant Security Deposits	\$ 42,852	\$ 40,042
Trustee Reserves as Follows:		
Current Revenue Fund	21,000	0
Cumulative Reserve Fund	83,123	114,161
Replacement Reserve Fund	152,290	190,017
Tax and Insurance Fund	21,392	21,274
Management Account	6,340	0
Reserve Account	0	9,109
Interest Account	125,398	117,673
Principal Account	185,532	174,167
Debt Service Fund	268,679	268,679
Total Lorain County Elderly Housing Corporation	\$ 906,606	\$ 935,122

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

Lorain Metropolitan Housing Authority

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Land	\$ 4,636,058	\$ 0	\$ 0	\$ 4,636,058
Buildings	58,648,249	2,104,674	0	60,752,923
Office Equipment	677,726	58,198	(13,234)	722,690
Maintenance Equipment	242,296	13,161	(2,215)	253,242
Vehicles	635,907	58,575	(55,706)	638,776
Construction in Progress	454,664	329,222	0	783,886
Total	65,294,900	2,563,830	(71,155)	67,787,575
Less: Accumulated Depreciation	<u>(34,573,687)</u>	<u>(2,664,966)</u>	<u>67,978</u>	<u>(37,170,675)</u>
Total LMHA	<u>\$30,721,213</u>	<u>\$ (101,136)</u>	<u>\$ (3,177)</u>	<u>\$30,616,900</u>

Lorain County Elderly Housing Corporation

Land	\$ 458,519	\$ 93,293	\$ 0	\$ 551,812
Buildings	7,007,458	5,261	0	7,012,719
Office Equipment	25,172	0	0	25,172
Maintenance Equipment	20,580	2,331	0	22,911
Construction in Progress	0	95,677	0	95,677
Total	7,511,729	196,562	0	7,708,291
Less: Accumulated Depreciation	<u>(3,773,442)</u>	<u>(207,216)</u>	<u>0</u>	<u>(3,980,658)</u>
Total LCEHC	<u>\$ 3,738,287</u>	<u>\$ (10,654)</u>	<u>\$ 0</u>	<u>\$ 3,727,633</u>

NOTE 6: DEBT AND LEASE OBLIGATIONS

Lorain County Elderly Housing Corporation Bonds

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

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

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Lorain County Elderly Housing Corporation Bonds (Continued)

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

<u>Maturity (July 15)</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>
2006	\$ 185,000	\$ 271,256	\$ 456,256	6.375%	6.454%
2007	195,000	259,463	454,463	6.375%	6.454%
2008	210,000	247,031	457,031	6.375%	6.454%
2009	225,000	233,644	458,644	6.375%	6.454%
2010	240,000	219,300	459,300	6.375%	6.454%
2011-2015	1,440,000	847,556	2,287,556	6.375%	6.454%
2016-2018	1,110,000	269,025	1,379,025	6.375%	6.454%
2019	<u>650,000</u>	<u>41,438</u>	<u>691,438</u>		
Totals	<u>\$ 4,255,000</u>	<u>\$ 2,388,713</u>	<u>\$ 6,643,713</u>		

A reconciliation of long-term liabilities are shown below:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Balance at July 1, 2004	\$ 0	\$ 4,430,000	\$ 4,430,000
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>175,000</u>	<u>175,000</u>
Balance at June 30, 2005	<u>0</u>	<u>4,255,000</u>	<u>4,255,000</u>
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>185,000</u>	<u>185,000</u>
Balance at June 30, 2006	<u>\$ 0</u>	<u>\$ 4,070,000</u>	<u>\$ 4,070,000</u>

Short Term Debt

LMHA has not engaged in short-term borrowing as characterized by GASB Statement No. 38 and therefore has no short-term debt obligations for the years ended June 30, 2006 and 2005, respectively.

Lease Obligations

LMHA leases office equipment under various operating leases. Total expense recognized under these operating leases was \$6,137 and \$10,758 for the years ended June 30, 2006 and 2005, respectively.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

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

Lease Obligations (Continued)

Future minimum lease payments are as follows:

<u>Year</u>	<u>Office Equipment</u>
2006	\$ 6,137
2007	0
2008	0
2009	0
2010	0
Total	<u>\$ 6,137</u>

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial that can be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the period ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries; the percent of contributions changed to 9 percent effective January 1, 2006. LMHA's contribution rate for pension benefits was 9.55 percent of covered payroll through December 31, 2005; effective January 1, 2006, the percent increased to 9.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

LMHA's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2006, 2005, and 2004, were \$311,678, \$301,589, and \$258,066, respectively; 100 percent has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for the years ended June 30, 2006, 2005, and 2004, were \$4,102, \$1,188, and \$1,189, respectively.

Lorain County Elderly Housing Corporation's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2006, 2005, and 2004, were \$37,500, \$29,726, and \$29,761, respectively.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the traditional and combined plans; however, health care benefits are not statutorily guaranteed. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent (13.70 for 2006) of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent, based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

At December 31, 2005, the number of active contributing participants in the traditional and combined plans totaled 376,109. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$131,238 for LMHA and \$11,009 for Lorain County Elderly Housing Corporation. The actual contributions and the actuarially required contributions amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

NOTE 9: **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 3 years. There has been no significant reduction in coverage from the previous fiscal year.

NOTE 10: **NON-RECURRING ITEMS**

Proceeds from Insurance

During the year ended June 30, 2006, LMHA received insurance proceeds as a result of property damage.

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

NOTE 11: **EXTRAORDINARY ITEMS**

Recapture of Housing Choice Voucher Accumulated Administrative Fee Reserve

During the year ended June 30, 2003, the fiscal year 2003 Omnibus Appropriations bill required the recapture of any accumulated administrative fee reserve in excess of 105 percent of the fiscal year 2002 administrative fee earned as of January 31, 2003. An extraordinary expense and liability to HUD was recognized in fiscal year 2003 for \$1,366,416. On August 5, 2005, a revision to this calculation was released in PIH Notice 2005-30 and resulted in a reduction of \$62,782. \$282,313 remains to be recaptured as of June 30, 2006.

NOTE 12: **SPECIAL ITEMS**

Repositioning of Housing Choice Voucher Accounts Payable Due HUD and Budget Authority to Equity

On January 11, 2006 and January 13, 2006, Public and Indian Housing Notices 2006-03 and 2006-05, respectively, were issued requiring that excess budget authority disbursed to public housing authorities become part of their undesignated fund balance effective January 2005. The preceding created a one time extraordinary item in the amount of \$500,511, which represents excess budget authority disbursed for the period January 2005 through June 2005. In the current fiscal year, an additional \$597,067 was recognized as revenue as a result of this change. In the future, as the financial management center evaluates voucher management system submissions, they may determine that housing authorities utilize their undesignated fund balance for current year expenditures and in turn reduce current year budget authority, which would result in a reduced revenue recognition for the year and a year where expenditures exceed revenue.

NOTE 13: **CONCENTRATIONS**

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

NOTE 14: **COMMITMENTS AND CONTINGENCIES**

Grants

LMHA received financial assistance from a federal agency in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of LMHA. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of LMHA at June 30, 2006 and 2005, respectively.

Contingencies

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
<i>Low Income Housing Assistance Programs</i>		
Section 8 Housing Choice Voucher	14.871	\$ 18,122,165
Public Housing - Operating Subsidy	14.850A	4,181,570
Public Housing Capital Fund Program	14.872	3,133,267
Shelter Plus Care	14,238	290,024
Section 8 New Construction and Substantial Rehabilitation Program - Concord Manor (passed through to subrecipient)	14.182	212,648
Resident Opportunity and Supportive Services Grant	14.870	<u>30,884</u>
Total U.S. Department of Housing and Urban Development		<u>25,970,558</u>
Total Federal Financial Assistance		<u>\$25,970,558</u>

See Notes to the Schedule of Expenditures of Federal Awards

**LORAIN METROPOLITAN HOUSING AUTHORITY
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1: PRESENTATION

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

NOTE 2: COMPONENT UNIT

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

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development Section 8 Housing</i>	14.871	<u>\$ 864,199</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING BALANCE SHEET BY PROGRAM
JUNE 30, 2006**

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Homeless Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
111	Cash - Unrestricted	\$315,848	\$0	\$0	\$62,411	\$0	\$107,844	\$0	\$51,102	\$537,205
115	Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0	\$13,912	\$0	\$52,374	\$0	\$0	\$66,286
114	Cash - Tenant Security Deposits	\$4,074	\$0	\$0	\$142,953	\$0	\$0	\$0	\$42,852	\$189,879
100	Total Cash	\$319,922	\$0	\$0	\$219,276	\$0	\$160,218	\$0	\$93,954	\$793,370
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$5,214	\$0	\$1,766	\$0	\$344,195	\$0	\$351,175
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$50	\$0	\$1,993	\$0	\$9,745	\$11,788
126	Accounts Receivable - Tenants - Dwelling Rents	\$41	\$0	\$0	\$72,581	\$0	\$0	\$0	\$6,981	\$79,603
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	(\$5,555)	\$0	\$0	\$0	(\$1,415)	(\$6,970)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$44,877	\$0	\$72,837	\$0	\$3,088	\$120,802
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	(\$3,931)	\$0	\$0	\$0	(\$270)	(\$4,201)
129	Accrued Interest Receivable	\$7,269	\$0	\$0	\$32,820	\$0	\$50,805	\$0	\$29,660	\$120,554
120	Total Receivables, net of allowances for doubtful accounts	\$7,310	\$0	\$5,214	\$140,842	\$1,766	\$125,635	\$344,195	\$47,789	\$672,751
131	Investments - Unrestricted	\$655,000	\$0	\$0	\$2,760,000	\$0	\$3,611,000	\$0	\$2,067,000	\$9,093,000
132	Investments - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$863,754	\$863,754
142	Prepaid Expenses and Other Assets	\$183	\$0	\$0	\$29,812	\$0	\$0	\$0	\$14,562	\$44,557
143	Inventories	\$0	\$0	\$0	\$257,201	\$0	\$0	\$0	\$0	\$257,201
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	(\$8,024)	\$0	\$0	\$0	\$0	(\$8,024)
144	Interprogram Due From	\$34,608	\$9,602	\$0	\$307,921	\$0	\$5,812	\$0	\$0	\$357,943
150	Total Current Assets	\$1,017,023	\$9,602	\$5,214	\$3,707,028	\$1,766	\$3,902,665	\$344,195	\$3,087,059	\$12,074,552
161	Land	\$71,100	\$0	\$0	\$4,495,558	\$0	\$69,400	\$0	\$551,812	\$5,187,870
162	Buildings	\$311,991	\$0	\$0	\$53,933,616	\$0	\$848,002	\$5,659,314	\$7,012,719	\$67,765,642
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$838,399	\$0	\$0	\$0	\$20,580	\$858,979
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$486,008	\$0	\$207,190	\$83,112	\$27,501	\$803,811
166	Accumulated Depreciation	(\$52,664)	\$0	\$0	(\$36,061,489)	\$0	(\$391,104)	(\$665,418)	(\$3,980,657)	(\$41,151,332)
167	Construction In Progress	\$0	\$0	\$0	\$7,934	\$0	\$0	\$775,951	\$95,677	\$879,562
160	Total Fixed Assets, Net of Accumulated Depreciation	\$330,427	\$0	\$0	\$23,700,026	\$0	\$733,488	\$5,852,959	\$3,727,632	\$34,344,532
180	Total Non-Current Assets	\$330,427	\$0	\$0	\$23,700,026	\$0	\$733,488	\$5,852,959	\$3,727,632	\$34,344,532
190	Total Assets	\$1,347,450	\$9,602	\$5,214	\$27,407,054	\$1,766	\$4,636,153	\$6,197,154	\$6,814,691	\$46,419,084

**LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING BALANCE SHEET BY PROGRAM
JUNE 30, 2006**

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
312	Accounts Payable <= 90 Days	\$213	\$0	\$877	\$62,234	\$2	\$3,303	\$248,516	\$7,864	\$323,009
321	Accrued Wage/Payroll Taxes Payable	\$25	\$0	\$0	\$42,617	\$450	\$16,819	\$4,021	\$5,384	\$69,316
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$0	\$141,764	\$4,681	\$47,748	\$24,387	\$14,991	\$233,571
325	Accrued Interest Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$124,326	\$124,326
331	Accounts Payable - HUD PHA Programs	\$0	\$9,270	\$0	\$0	\$0	\$304,592	\$0	\$0	\$313,862
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,935	\$26,935
341	Tenant Security Deposits	\$3,505	\$0	\$0	\$136,937	\$0	\$0	\$0	\$40,190	\$180,632
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$185,000	\$185,000
346	Accrued Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$42,303	\$29,704	\$72,007
347	Interprogram Due To	\$314,228	\$332	\$4,338	\$0	\$1,145	\$9,602	\$10,248	\$18,052	\$357,945
310	Total Current Liabilities	\$317,971	\$9,602	\$5,215	\$383,552	\$6,278	\$382,064	\$329,475	\$452,446	\$1,886,603
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,070,000	\$4,070,000
354	Accrued Compensated Absences - Non Current	\$0	\$0	\$0	\$93,698	\$361	\$45,314	\$14,722	\$16,311	\$170,406
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$16,890	\$0	\$127,306	\$0	\$0	\$144,196
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$110,588	\$361	\$172,620	\$14,722	\$4,086,311	\$4,384,602
300	Total Liabilities	\$317,971	\$9,602	\$5,215	\$494,140	\$6,639	\$554,684	\$344,197	\$4,538,757	\$6,271,205
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$330,427	\$0	\$0	\$23,700,026	\$0	\$733,488	\$5,852,959	\$486,138	\$31,103,038
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$13,912	\$0	\$52,374	\$0	\$863,754	\$930,040
512.1	Unrestricted Net Assets	\$699,052	\$0	(\$1)	\$3,198,976	(\$4,873)	\$3,295,607	(\$2)	\$926,042	\$8,114,801
513	Total Equity/Net Assets	\$1,029,479	\$0	(\$1)	\$26,912,914	(\$4,873)	\$4,081,469	\$5,852,957	\$2,275,934	\$40,147,879
600	Total Liabilities and Equity/Net Assets	\$1,347,450	\$9,602	\$5,214	\$27,407,054	\$1,766	\$4,636,153	\$6,197,154	\$6,814,691	\$46,419,084

LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
703	Net Tenant Rental Revenue	\$48,014	\$0	\$0	\$1,594,377	\$0	\$0	\$0	\$494,350	\$2,136,741
704	Tenant Revenue - Other	\$367	\$0	\$0	\$146,954	\$0	\$0	\$0	\$7,523	\$154,844
705	Total Tenant Revenue	\$48,381	\$0	\$0	\$1,741,331	\$0	\$0	\$0	\$501,873	\$2,291,585
706	HUD PHA Operating Grants	\$0	\$212,648	\$290,024	\$4,181,570	\$30,884	\$18,122,165	\$703,383	\$864,199	\$24,404,873
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$2,429,884	\$0	\$2,429,884
711	Investment Income - Unrestricted	\$29,722	\$0	\$0	\$140,742	\$0	\$106,611	\$0	\$94,971	\$372,046
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$45,951	\$0	\$0	\$45,951
715	Other Revenue	\$33,657	\$0	\$0	\$97,843	\$0	\$3,381	\$0	\$8,168	\$143,049
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	(\$788)	\$0	\$2,375	\$0	\$0	\$1,587
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$41,195	\$0	\$28,915	\$70,110
700	Total Revenue	\$111,760	\$212,648	\$290,024	\$6,160,698	\$30,884	\$18,321,678	\$3,133,267	\$1,498,126	\$29,759,085
911	Administrative Salaries	\$0	\$0	\$0	\$1,193,328	\$0	\$864,685	\$191,971	\$217,340	\$2,467,324
912	Auditing Fees	\$0	\$0	\$0	\$11,591	\$0	\$11,361	\$0	\$5,656	\$28,608
913	Outside Management Fees	\$0	\$19,118	\$38,253	\$0	\$0	\$0	\$0	\$27,233	\$84,604
914	Compensated Absences	\$0	\$0	\$0	\$34,371	\$35	\$19,215	(\$3,543)	\$3,022	\$53,100
915	Employee Benefit Contributions - Administrative	\$0	\$0	\$0	\$462,221	\$0	\$373,355	\$66,557	\$61,527	\$963,660
916	Other Operating - Administrative	\$20,565	\$0	\$0	\$306,547	\$0	\$112,420	\$0	\$28,747	\$468,279
921	Tenant Services - Salaries	\$0	\$0	\$0	\$18,594	\$26,644	\$0	\$17,035	\$0	\$62,273
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$10,466	\$9,078	\$0	\$10,239	\$0	\$29,783
924	Tenant Services - Other	\$0	\$0	\$0	\$42,372	\$0	\$0	\$0	\$847	\$43,219
931	Water	\$1,178	\$0	\$0	\$258,720	\$0	\$244	\$0	\$16,323	\$276,465
932	Electricity	\$5,108	\$0	\$0	\$390,459	\$0	\$9,320	\$0	\$163,994	\$568,881
933	Gas	\$10,313	\$0	\$0	\$493,447	\$0	\$6,013	\$0	\$2,097	\$511,870
938	Other Utilities Expense	\$1,332	\$0	\$0	\$413,806	\$0	\$255	\$0	\$34,204	\$449,597
941	Ordinary Maintenance and Operations - Labor	\$1,900	\$0	\$0	\$910,413	\$0	\$0	\$0	\$58,516	\$970,829
942	Ordinary Maintenance and Operations - Materials and Other	\$443	\$0	\$0	\$344,886	\$0	\$15,475	\$10,164	\$26,026	\$396,994
943	Ordinary Maintenance and Operations - Contract Costs	\$4,662	\$0	\$0	\$635,028	\$0	\$31,335	\$0	\$109,187	\$780,212
945	Employee Benefit Contributions - Ordinary Maintenance	\$894	\$0	\$0	\$401,677	\$0	\$0	\$0	\$25,802	\$428,373
951	Protective Services - Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$27,759	\$0	\$27,759
952	Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$342,743	\$0	\$342,743
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$9,185	\$0	\$9,185
961	Insurance Premiums	\$1,386	\$0	\$0	\$264,823	\$0	\$24,657	\$0	\$29,780	\$320,646
962	Other General Expenses	(\$6)	\$0	\$1	\$1	\$0	\$9	\$5	\$0	\$10
963	Payments in Lieu of Taxes	\$303	\$0	\$0	\$1,223	\$0	\$0	\$0	\$26,935	\$28,461
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$91,425	\$0	\$0	\$0	\$9,834	\$101,259
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$271,722	\$271,722
968	Severance Expense	\$0	\$0	\$0	\$8,814	\$0	\$2,319	\$2,003	\$0	\$13,136
969	Total Operating Expenses	\$48,078	\$19,118	\$38,254	\$6,294,212	\$35,757	\$1,470,663	\$674,118	\$1,118,792	\$9,698,992

LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
JUNE 30, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
970	Excess Operating Revenue over Operating Expenses	\$63,682	\$193,530	\$251,770	(\$133,514)	(\$4,873)	\$16,851,015	\$2,459,149	\$379,334	\$20,060,093
971	Extraordinary Maintenance	\$0	\$0	\$0	\$49,696	\$0	\$0	\$29,264	\$0	\$78,960
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$6,795	\$0	\$0	\$0	\$0	\$6,795
973	Housing Assistance Payments	\$0	\$193,530	\$251,771	\$0	\$0	\$15,984,964	\$0	\$0	\$16,430,265
974	Depreciation Expense	\$12,340	\$0	\$0	\$2,250,031	\$0	\$53,218	\$349,377	\$207,216	\$2,872,182
900	Total Expenses	\$60,418	\$212,648	\$290,025	\$8,600,734	\$35,757	\$17,508,845	\$1,052,759	\$1,326,008	\$29,087,194
1001	Operating Transfers In	\$0	\$0	\$0	\$54,392	\$0	\$0	\$0	\$0	\$54,392
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	(\$54,392)	\$0	\$0	(\$54,392)
1008	Special Items (net gain/loss)	\$0	\$0	\$0	\$0	\$0	\$500,511	\$0	\$0	\$500,511
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$54,392	\$0	\$446,119	\$0	\$0	\$500,511
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$51,342	\$0	(\$1)	(\$2,385,644)	(\$4,873)	\$1,258,952	\$2,080,508	\$172,118	\$1,172,402
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$978,137	\$0	\$1	\$27,355,400	\$1,603	\$2,822,517	\$5,714,004	\$2,103,816	\$38,975,478
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	(\$1)	\$1,943,158	(\$1,603)	\$0	(\$1,941,555)	\$0	(\$1)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$181,282	\$0	\$0	\$0	\$0	\$0	\$0	\$181,282
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$18,703	\$0	\$0	\$0	\$0	\$0	\$0	\$18,703
1115	Contingency Reserve, ACC Program Reserve	\$0	\$12,663	\$0	\$0	\$0	\$0	\$0	\$0	\$12,663
1116	Total Annual Contributions Available	\$0	\$212,648	\$0	\$0	\$0	\$0	\$0	\$0	\$212,648
1120	Unit Months Available	84	600	780	17,340	0	32,628	0	2,400	53,832
1121	Number of Unit Months Leased	83	590	638	16,730	0	32,455	0	2,343	52,839

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF COMPLETED GRANTS/CERTIFICATES
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Description</u>	Note A OH16C20-7026 Shelter <u>Plus Care</u>	Note B OH12RFS086A004 <u>ROSS Grant</u>	Note C OH12PO1250102 Capital <u>Fund Grant</u>
Funds Approved - Latest Budget	<u>\$ 495,420</u>	<u>\$ 30,936</u>	<u>\$ 2,987,603</u>
Funds Advanced	288,368	30,936	2,987,603
Funds Expended	<u>288,368</u>	<u>30,396</u>	<u>2,987,603</u>
Difference between Funds Advanced and Funds Expended	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note A: This Shelter Plus Care grant was completed by LMHA during fiscal year 2006. \$207,052 was not advanced or expended.

Note B: This Resident Opportunity and Self Sufficiency (ROSS) grant was completed by LMHA during fiscal year 2006. All funds were advanced and expended.

Note C: This Capital Fund grant was completed by LMHA during fiscal year 2006. All funds were advanced and expended.

Note D: The distribution of costs shown on schedules submitted to HUD for approval are in agreement with LMHA's records and all grant costs and expenses and all related liabilities have been paid and liquidated through payment.

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2006**

Lorain Metropolitan Housing Authority (LMHA) had a total of 4,436 units under its management. See details below.

Management	Units Available	Average Number of Units Leased in Fiscal Year
Lorain Metropolitan Housing Authority		
Low Income Public Housing	1,445	1,394
Section 8 Vouchers	2,719	2,705
Shelter Plus Care	65	53
General Fund (not HUD funded)	7	7
Total Lorain Metropolitan Housing Authority	4,236	4,159
 Lorain County Elderly Housing Corporation		
Section 8 New Construction	200	195
 Total LMHA and LCEHC	4,436	4,354

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2006, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and 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.

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

November 17, 2006

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Lorain Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Lorain Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Lorain Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion of the Lorain Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, Lorain Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Lorain Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lorain Metropolitan Housing Authority, Ohio'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 reportable 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 caused by error or fraud 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 solely for the information and use of the Board of Directors, management, Auditor of State, and Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

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

November 17, 2006

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2006(v)	Type of Major Programs' Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list): Public Housing - CFDA #14.850 Public Housing Capital Fund Program - CFDA #14.872	
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$779,117 Type B: > all others
2006(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LORAIN METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2005.

LORAIN COUNTY ELDERLY HOUSING CORPORATION

AUDIT REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

LORAIN COUNTY ELDERLY HOUSING CORPORATION
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Changes in Net Assets	6
Notes to the Financial Statements	7-13
Supporting Supplemental Schedules:	
Annual Auditors' Certificate - Debt Service Coverage Ratios - Exhibit A-1	14
Annual Auditors' Certificate - Assets/Liability Parity Test - Exhibit A-2	15
Summary of JP Morgan Trust Fund Activity - Exhibit B	16
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	21-22
Schedule of Findings and Questioned Costs	23

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

Lorain County Elderly Housing Corporation
Lorain, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the Lorain County Elderly Housing Corporation, Lorain, Ohio (the Corporation) (a nonprofit organization) as of June 30, 2006 and 2005, the related statements of activities, functional expenses, and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lorain County Elderly Housing Corporation, Lorain, Ohio as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2006 on our consideration of the Lorain County Elderly Housing Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Lorain County Elderly Housing Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is not a required part of the basic financial statements required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supporting supplemental schedules in Exhibits A-1, A-2, and B are presented for purposes of additional analysis as required by the Bond Trustee and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

September 6, 2006

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENTS OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 51,102	\$ 146,232
Cash Restricted for Tenant Security Deposits	42,852	40,042
Unrestricted Investments	2,067,000	1,987,000
Temporarily Restricted Investments	863,754	895,080
Accounts Receivable - HUD		
Accounts Receivable - Tenants, Net of Allowance of \$1,685 in 2006 and \$143 in 2005	8,384	6,726
Accounts Receivable - Miscellaneous	9,745	4,724
Accrued Interest Receivable	29,660	18,116
Prepaid Insurance	14,562	14,809
Total Current Assets	3,087,059	3,112,729
<u>Noncurrent Assets</u>		
Land, Structures, and Equipment	7,708,289	7,511,727
Less: Accumulated Depreciation	(3,980,657)	(3,773,441)
Total Noncurrent Assets	3,727,632	3,738,286
TOTAL ASSETS	\$ 6,814,691	\$ 6,851,015
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 7,864	\$ 4,267
Accrued Wages and Fringe Benefits	5,384	17,479
Accrued Compensated Absences	14,991	16,477
Accrued Interest	124,326	129,438
Other Current Liabilities	29,704	25
Payment in Lieu of Taxes (PILOT)	26,935	24,839
Tenant Security Deposit Payable	40,190	40,036
Payable to LMHA	18,052	72,835
Bonds Payable - Current Portion	185,000	175,000
Total Current Liabilities	452,446	480,396
<u>Noncurrent Liabilities</u>		
Long-term Compensated Absences	16,311	11,803
Long-term Bonds Payable, Less Current Portion	4,070,000	4,255,000
Total Noncurrent Liabilities	4,086,311	4,266,803
TOTAL LIABILITIES	4,538,757	4,747,199
<u>Net Assets</u>		
Unrestricted	1,412,180	1,208,736
Temporarily Restricted	863,754	895,080
Total Net Assets	2,275,934	2,103,816
TOTAL LIABILITIES AND NET ASSETS	\$ 6,814,691	\$ 6,851,015

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Revenue		
Net Tenant Rental Revenue	\$ 494,350	\$ 481,939
Tenant Revenue - Other	<u>7,523</u>	<u>5,005</u>
Total Tenant Revenue	501,873	486,944
HUD PHA Operating Grants	864,199	858,176
Other Revenue	<u>8,168</u>	<u>7,495</u>
Total Revenue	<u>1,374,240</u>	<u>1,352,615</u>
<u>Operating Expenses</u>		
Administrative	343,525	315,241
Tenant Service	847	278
Utilities	216,618	214,791
Ordinary Maintenance and Operation	219,531	251,164
Insurance Premiums	29,780	28,182
Payment in Lieu of Taxes (PILOT)	26,935	24,819
Bad Debt (Recovery) - Tenant Rents	9,834	5,754
Interest Expense	<u>271,722</u>	<u>282,850</u>
Total Operating Expenses	<u>1,118,792</u>	<u>1,123,079</u>
Net Operating Income	<u>255,448</u>	<u>229,536</u>
<u>Other Revenues (Expenses)</u>		
Investment Income - Unrestricted	94,971	54,599
Interest Income - Restricted	28,915	13,007
Depreciation Expense	<u>(207,216)</u>	<u>(186,881)</u>
Total Other Revenues (Expenses)	<u>(83,330)</u>	<u>(119,275)</u>
Change in Net Assets	<u>\$ 172,118</u>	<u>\$ 110,261</u>

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Cash Flows from Operating Activities		
Tenant Revenue Received	\$ 500,215	\$ 482,521
Government Operating Grants Received	864,199	858,176
Other Revenue Received	3,301	11,252
General and Administrative Expenses Paid	(820,524)	(913,110)
Interest Received	112,342	55,958
Interest Paid	(276,834)	(287,672)
Net Cash Provided by Operating Activities	382,699	207,125
 <u>Cash Flows from Investing Activities</u>		
Purchases of Land, Structures, and Equipment	(196,562)	(195,289)
Purchase of Investments	(6,074,712)	(6,381,570)
Proceeds from Sale of Investments	6,026,038	6,389,003
Net Cash Used in Investing Activities	(245,236)	(187,856)
 <u>Cash Flows from Capital and Related Financing Activities</u>		
Increases/Decreases in Due To/Due From Related Entity	(54,783)	57,437
Payments to Retire Long-term Debt	(175,000)	(165,000)
Net Cash Used in Financing Activities	(229,783)	(107,563)
Decrease in Cash and Cash Equivalents	(92,320)	(88,294)
 Cash and Cash Equivalents - Beginning of Year	186,274	274,568
 Cash and Cash Equivalents - End of Year	\$ 93,954	\$ 186,274
 <u>Reconciliation of Operating Income to</u>		
<u>Net Cash Provided by Operating Activities</u>		
Change in Net Assets	\$ 172,118	\$ 110,261
Add Back Non-Cash Items:		
Depreciation Expense	207,216	186,881
Decrease (Increase) in Assets		
Accounts Receivable	(18,223)	(13,142)
Prepaid Expenses	247	8,469
Increase (Decrease) in Liabilities		
Accounts Payable	3,597	(90,276)
Accrued Liabilities	15,648	2,183
Other Liabilities	2,096	2,749
Net Cash Provided by Operating Activities	\$ 382,699	\$ 207,125

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Beginning Net Assets	\$ 2,103,816	\$ 1,993,555
Change in Net Assets	<u>172,118</u>	<u>110,261</u>
Ending Net Assets	<u><u>\$ 2,275,934</u></u>	<u><u>\$ 2,103,816</u></u>

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

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

Sources of Funding

The Corporation receives tenant rents from its two fully owned buildings (HARR Plaza and International Plaza) and remits these rents to the Trustee. (See Note 4 for Trustee information.) The Trustee earns and receives Housing Assistance Payments (HAP) subsidy from the U.S. Department of Housing and Urban Development (HUD). The Corporation receives its budgeted revenues from the Trustee and makes a final settlement with the Trustee at year-end based on its financial results.

Basis of Accounting and Presentation

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

The financial statements present the financial activity of the Corporation and trust fund activity authorized by the JP Morgan Institutional Trust Services (“JP Morgan”), Columbus, Ohio.

Books and records are maintained by LMHA, based on an agreement dated June 1, 1978. Trust funds are controlled and maintained by JP Morgan.

The projects are subsidized by HUD under HAP contracts for a maximum of 40 years.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Structures and Equipment, Accumulated Depreciation, and Depreciation Expense

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

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

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

Accounts Receivable and Credit Policy

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

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

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with HUD and other governmental organizations having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at June 30, 2006 and 2005 will be immaterial and no allowance for doubtful accounts is required.

Based on management's assessment of the credit history with tenants having outstanding balances and current relationships with them, it has established an allowance for doubtful accounts of \$1,685 and \$143 at June 30, 2006 and 2005, respectively.

Management individually reviews all outstanding accounts receivable balances. Accounts are written off when deemed uncollectible. Bad debt expense for the fiscal years ended June 30, 2006 and 2005, was \$9,834 and \$5,754, respectively.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Investments

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

Income Tax Status

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

Cash and Cash Equivalents

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

Due to/Due from Related Entity

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

Use of Estimates

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

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

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

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)**

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

Financial institutions designated as a public depository must give security for the funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities, the face value of which is at least 105 percent of the total value of public monies on deposit at the institution.

The Corporation is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a “derivative”). The Corporation is also prohibited from investing in reverse repurchase agreements.

Deposits

The carrying amount of the Corporation’s cash deposits were \$93,954 and \$186,274 at June 30, 2006 and 2005, respectively, with a \$93,954 and \$186,274 bank balance, respectively. Of the bank balance, \$100,000 was insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2006 and 2005, respectively. The remaining balance as of June 30, 2005 of \$86,274 was uninsured. The uninsured deposit was, however, collateralized with investments in the Corporation’s name held by the financial institution as permitted under the Ohio Revised Code Section 135.

Investments

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

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

	2006	2005
Demand Deposits	\$ 93,954	\$ 186,274
JP Morgan Trust Funds	863,754	895,080
Certificates of Deposit	2,067,000	1,987,000
	\$ 3,024,708	\$ 3,068,354

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

Investments (Continued)

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

	2006	2005
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 51,102	\$ 146,322
Cash Restricted for Tenant Security Deposits	42,852	40,042
Unrestricted Investments	2,067,000	1,987,000
Temporarily Restricted Investments	863,754	895,080
	<u>\$ 3,024,708</u>	<u>\$ 3,068,354</u>

Temporarily Restricted Investments

In accordance with contractual provisions, portions of the JP Morgan Trust Funds are restricted for designated purposes related to the servicing of the debt.

NOTE 3: LAND, STRUCTURES, AND EQUIPMENT

	June 30, 2005	Additions	Deletions	June 30, 2006
Land	\$ 458,519	\$ 93,293	\$ 0	\$ 551,812
Buildings	7,007,456	5,261	0	7,012,717
Office Equipment	25,172	2,331	0	27,503
Maintenance Equipment	20,580	0	0	20,580
Construction in Progress (plumbing)	0	95,677	0	95,677
Total	7,511,727	196,562	0	7,708,289
Less: Accumulated Depreciation	(3,773,441)	(207,216)	0	(3,980,657)
Total	<u>\$ 3,738,286</u>	<u>\$ (10,654)</u>	<u>\$ 0</u>	<u>\$ 3,727,632</u>

NOTE 4: BONDS PAYABLE

JP Morgan Institutional Trust Services

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

The bonds issued are fully registered obligations having a minimum denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. The bonds mature on July 15, 2019. Interest is payable semiannually on January 15th and July 15th. As of June 30, 2006, the outstanding balance is \$4,255,000.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

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

The bonds are secured as to payment by all project revenues from the operation of the projects and an open-end Mortgage Deed and Security Agreement dated March 1, 1995, on each project. All units in the projects are entitled to payments from HUD pursuant to HAP Contract Number C-77-086, having an effective date of September 1, 1979, and HAP Contract Number C-76-908, having an effective date of September 1, 1979. All of the rights under the HAP contracts have been assigned to the Trustee, JP Morgan Institutional Trust Services.

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

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

Maturity (July 15)	Principal Amount	Interest Amount	Total Amount	Interest Rate(%)	Yield(%)
2006	\$ 185,000	\$ 271,256	\$ 456,256	6.375%	6.454%
2007	195,000	259,463	454,463	6.375%	6.454%
2008	210,000	247,031	457,031	6.375%	6.454%
2009	225,000	233,644	458,644	6.375%	6.454%
2010	240,000	219,300	459,300	6.375%	6.454%
2011-2015	1,440,000	847,556	2,287,556	6.375%	6.454%
2016-2018	1,110,000	269,025	1,379,025	6.375%	6.454%
2019	<u>650,000</u>	<u>41,438</u>	<u>691,438</u>	6.375%	6.454%
Total	<u>\$ 4,255,000</u>	<u>\$ 2,388,713</u>	<u>\$ 6,643,713</u>		

NOTE 5: **RELATED PARTY TRANSACTIONS**

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

LMHA acts as managing agent for the Corporation and performs all financial and operating functions for the Corporation except for those administrative duties performed by the Trustee. The Corporation pays LMHA a managing fee for the services rendered, which totaled \$13,570 and \$13,366 for the fiscal years ended June 30, 2006 and 2005, respectively. Various operating expenses are allocated by LMHA to the component unit based on period time and expense studies. Included in the allocation are payroll and related costs such as compensated absences and pension costs.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005
(CONTINUED)

NOTE 6: **CONCENTRATIONS**

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

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
ANNUAL AUDITORS' CERTIFICATE
DEBT SERVICE COVERAGE RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<u>Project Revenues</u>		
Tenants' Rent	\$ 492,039	
HUD Operating Subsidy and Capital Grants	864,199	
Investment Income	123,886	
Gain on Disposal of Fixed Assets and Other Income	<u>8,168</u>	
Total Operating Revenues		\$ 1,488,292
<u>Project Expenses</u>		
Operating Salaries (b)	217,340	
Maintenance Salaries	58,516	
Employee Benefits	87,329	
Office and Administrative	28,747	
Utilities	216,618	
Property Taxes and Payment in Lieu of Taxes	26,935	
Insurance	29,780	
Professional and Consulting Fees	5,656	
Maintenance - Materials, Supplies, and Contracts (a)	115,650	
Other Expenses	<u>847</u>	
Total Operating Expenses		<u>787,418</u>
Operating Income		700,874
Less:		
Trustee Fees	13,663	
Replacement Reserve Account Deposits	40,711	
Management Fee	<u>13,570</u>	
		<u>67,944</u>
Net Operating Income		<u>\$ 632,930</u>
Debt Service Reserve Account Balance		\$ 268,679
Less: Debt Service Reserve Minimum Reserve Requirement		<u>(268,333)</u>
Excess (Deficit) Debt Service Reserve Funds		<u>\$ 346</u>
Maximum Annual Debt Service		<u>\$ 461,619</u>
Debt Service Coverage Ratio		<u>137.11 %</u>

(a) Not including replacement reserve reimbursements (\$19,563).

(b) Not including accrued compensated absence (\$3,022).

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
ANNUAL AUDITORS' CERTIFICATE
ASSET/LIABILITY PARITY TEST
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Outstanding Principal Balance	\$ 4,255,000
Debt Service Reserve Fund Balance	268,678
Replacement Reserve Account Balance	152,292
Current Reserve Account (Maximum \$21,000)	<u>21,000</u>
Total	<u>\$ 4,696,970</u>
Outstanding Principal Balance	<u>\$ 4,255,000</u>
Asset/Liability Parity Percent	<u>110.39%</u>

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SUMMARY OF BANK ONE TRUST FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2006**

	Current Revenue Fund	Cumm. Revenue Account	Operating Expense Account	Replacement Reserve Fund	Insurance & Admin Taxes Fund	Admin Account	Managemen Account	Interest Account	Principal Account	Debt Service Revenue	Cumm Revenue Sub-Fund	Combined Account
Balance at June 30, 2005	\$0	\$0	\$0	\$190,017	\$21,274	\$9,109	\$0	\$117,673	\$174,167	\$268,679	\$114,161	\$895,080
Housing assistance payments	864,199											864,199
Rental income	492,850											492,850
Interest income	1,467	812		7,070	1,083	252		2,451	3,711	9,792	2,277	28,915
Transfer from:												
Revenue fund	2,116	91,017	690,700	40,711	48,944	6,928	13,570	284,559	186,365		12,982	1,377,894
Interest account	3,220											3,220
Principal account	8,448											8,448
Debt service fund	1,927											1,927
Taxes and insurance	5,753											5,753
Cumulative revenue fund	936											936
Cumulative revenue subaccount		12,982										12,982
Total receipts	1,380,916	104,811	690,700	47,781	50,027	7,180	13,570	287,010	190,077	9,792	15,259	2,797,124
<u>Disbursements</u>												
Transfer to:												
LMHA			690,700	84,535	24,839						114,161	914,236
Current Revenue Fund		21,596			936	5,753		2,116	3,220	8,448	1,927	43,996
Operating expense account	690,700											690,700
Cumulative revenue account	69,421										12,982	82,403
Replacement reserve account	40,711											40,711
Tax and insurance fund	48,944											48,944
Revenue Fund	6,928											6,928
Management account	13,570											13,570
Principal account	186,365											186,365
Interest account	284,559											284,559
Cumulative revenue subaccount	12,982											12,982
Principal and interest payments								276,834	175,000			451,834
Insurance and tax expense					23,987							23,987
Trustee fees	5,734	93		973	148	2,695		335	491	1,344	350	12,163
Standard and Poor fees						1,500						1,500
Management fees							13,570					13,570
Total disbursements	\$1,359,916	\$21,688	\$690,700	\$85,508	\$49,909	\$9,949	\$13,570	\$279,285	\$178,711	\$9,792	\$129,420	\$2,828,450
Balance at June 30, 2006	\$21,000	\$83,123	\$0	\$152,290	\$21,392	\$6,340	\$0	\$125,398	\$185,532	\$268,679	\$0	\$863,754
Investment balance at June 30, 2005	\$0	\$0	\$0	\$190,017	\$21,274	\$9,109	\$0	\$117,673	\$174,167	\$268,679	\$114,161	\$895,080
Investments purchase	1,342,637	104,396	0	46,809	69,338	7,026	0	226,975	170,554	4,452	14,526	1,986,712
Investments sold	1,321,637	21,273	0	84,535	69,220	9,794	0	219,250	159,189	4,452	128,687	2,018,038
Investment balance at June 30, 2006	\$21,000	\$83,123	\$0	\$152,290	\$21,392	\$6,340	\$0	\$125,398	\$185,532	\$268,679	\$0	\$863,754

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	
<u>U.S. Department of Housing and Urban Development</u> Section 8 Housing Choice Voucher	14.871	N/A	<u>\$ 864,199</u>

See Notes to the Schedule of Expenditures of Federal Awards.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lorain County Elderly Housing Corporation and is presented on the accrual basis of accounting as required by generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the Lorain County Elderly Housing Corporation, Lorain, Ohio (the Corporation) (a nonprofit organization) as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated September 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lorain County Elderly Housing Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, and 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.

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

September 6, 2006

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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

Compliance

We have audited the compliance of the Lorain County Elderly Housing Corporation (the Corporation) (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. The Lorain County Elderly Housing Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lorain County Elderly Housing Corporation's management. Our responsibility is to express an opinion on the Lorain County Elderly Housing Corporation's compliance based on our audit.

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

In our opinion, the Lorain County Elderly Housing Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of the Lorain County Elderly Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lorain County Elderly Housing Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the 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 reportable 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 caused by error or fraud 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 solely for the information and use of the Board of Trustees, management, and 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.

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

September 6, 2006

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2006(v)	Type of Major Programs' Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA# 14.871	
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: >all others
2006(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

LORAIN METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2007**