

Lake Metropolitan Housing Authority

Basic financial statements

For the Year Ended June 30, 2004





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Lake Metropolitan Housing Authority, Lake County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

April 6, 2005

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LAKE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

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6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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## Independent Auditors' Report

Board of Directors  
Lake Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying basic financial statements of Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Lake Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lake Metropolitan Housing Authority, Ohio, as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of July 1, 2004. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 22, 2004, on my consideration of Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result 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 the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Lake Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") and certification of actual modernization costs are presented for purposes 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 my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



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Salvatore Consiglio, CPA, Inc.

November 22, 2004



LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2004

UNAUDITED

The Lake 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 position, and (d) identify individual fund issues or concerns.

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

**FINANCIAL HIGHLIGHTS**

- The Authority's net assets decreased by \$748,739 (or 8 %) during 2004. Net Assets were \$8,945,030 and \$8,196,291 for 2003 and 2004 respectively.
- Revenues increased by \$1,282,742 (or 14%) during 2004, and were \$9,273,708 and \$10,556,450 for 2003 and 2004 respectively.
- The total expenses of all Authority programs increased by \$1,776,927 (or 19%). Total expenses were \$9,372,405 and \$11,149,332 for 2003 and 2004 respectively.

**USING THIS ANNUAL REPORT**

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

<p><b>MD&amp;A</b></p> <p>~Management's Discussion and Analysis~</p>
<p><b>Basic Financial Statement</b></p> <p>~Authority Financial Statements – pgs 11-15~ ~Notes to Financial Statements – pgs 16 – 26~</p>
<p><b>Other Required Supplementary Information</b></p> <p>~Required Supplementary Information - pgs 27-33~ (other than the MD&amp;A)</p>

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2004

UNAUDITED

**Authority Financial Statements**

The Authority financial statements (see pgs 11-15) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The Statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly know 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 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 all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

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

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change 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, non-capital financing activities, and from capital and related financing activities.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Fund Financial Statements**

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

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

**The Authority's Programs**

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

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

Economic Development and Supportive Services Program – a grant program funded by the Department of Housing and Urban Development that encourages economic self-sufficiency among the Authority's resident population.

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

Section 8 New Construction Program - Lake MHA administers a Housing Assistance Payments contract (Andrews Place) on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**AUTHORITY 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 - Condensed Statement of Net Assets Compared to Prior Year**

	<u>2004</u>	<u>RESTATED</u> <u>2003</u>
Current and Other Assets	\$ 3,410,713	\$ 3,361,074
Capital Assets	<u>6,086,680</u>	<u>6,316,924</u>
Total Assets	<u>\$ 9,497,393</u>	<u>\$ 9,677,998</u>
Current Liabilities	\$ 1,275,928	\$ 706,267
Long-Term Liabilities	<u>25,174</u>	<u>26,701</u>
Total Liabilities	<u>1,301,102</u>	<u>732,968</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	6,086,680	6,316,924
Unrestricted Net Assets	<u>2,109,611</u>	<u>2,628,106</u>
Total Net Assets	<u>8,196,291</u>	<u>8,945,030</u>
Total Liabilities and Net Assets	<u>\$ 9,497,393</u>	<u>\$ 9,677,998</u>

For more detail information see Statement of Net Assets presented elsewhere in this report

**Major Factors Affecting the Statement of Net Assets**

During 2004, current and other assets were increased by \$49,636, and current liabilities were increased by \$569,661 primarily due to intercompany receivables.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Capital assets also changed, decreasing from \$6,316,924 to \$6,086,680. The \$230,244 decrease may be contributed primarily to a combination of net acquisitions less current year depreciation and amortization. For more detail see "Capital Assets" below.

**Table 2 - Statement of Revenue, Expenses & Changes in Net Assets**

	<u>2004</u>	<u>RESTATED</u> <u>2003</u>
<b><u>Revenues</u></b>		
Tenant Revenues - Rents & Other	\$ 427,739	\$ 431,942
Operating Subsidies & Grants	9,707,218	8,409,008
Capital Grants	360,418	362,194
Investment Income	32,801	37,766
Other Revenues	<u>28,274</u>	<u>32,798</u>
<b>Total Revenues</b>	<b><u>10,556,450</u></b>	<b><u>9,273,708</u></b>
<b><u>Expenses</u></b>		
Administrative	888,872	752,290
Tenant Services	4,086	-
Utilities	218,624	193,554
Maintenance	336,206	321,907
Protective Services	30,472	36,393
General Expenses	67,150	64,418
Housing Assistance Payments	8,999,281	7,198,339
Depreciation	586,353	666,204
Loss on Sale of Assets	<u>18,288</u>	<u>139,300</u>
<b>Total Expenses</b>	<b><u>11,149,332</u></b>	<b><u>9,372,405</u></b>
<b>Net Increases (Decreases)</b>	<b><u>\$ (592,882)</u></b>	<b><u>\$ (98,697)</u></b>

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE,  
EXPENSES AND CHANGES IN NET ASSETS**

Tenant revenue declined. This reduction was primarily due to vacancies and repairs to Authority's properties, especially the Jackson building, which experienced major plumbing problems.

Operating Grants increased substantially (16%) while the Capital Grants and other revenues decreased. The decreases were due to decreased federal funding, while the decrease in investment income was due to the low returns of fixed rate investment vehicles. The Authority did employ an investment strategy that maximized the investment portfolio within the constraints of the HUD investment guidelines.

Most expenses increased moderately due to inflation, except for depreciation which decreased because certain assets became fully depreciated during fiscal year 2003. Heating gas costs also increased significantly in 2004. The increase in heating gas cost is due to the increase in rates that went from \$5.22 per MCF in 2002, to \$10.56 per MCF in 2003 to \$9.02 per MCF in 2004.

**CAPITAL ASSETS**

**Capital Assets**

As of year end, the Authority had \$6,086,680 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$230,244 from the end of last year.

**Table 3 - Condensed Statement of Changes in Capital Assets**

	<u><b>2004</b></u>	<u><b>2003</b></u>
Land and Land Rights	\$ 692,731	\$ 711,020
Building & Improvements	10,078,202	10,078,202
Equipment - Administrative	1,311,915	1,297,936
Equipment - Dwelling	265,430	259,914
Construction in Progress	1,125,287	770,385
Accumulated Depreciation	<u>(7,386,885)</u>	<u>(6,800,533)</u>
Total	<u>\$ 6,086,680</u>	<u>\$ 6,316,924</u>

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 23-24 of the notes.

**Table 4 - Condensed Statement of Changes in Capital Assets**

Beginning Balance, July 1, 2003	\$ 6,316,925
Current Year Additions	374,397
Current Year Disposals	(18,289)
Depreciation Expenses for the Year	<u>(586,353)</u>
Ending Balance, June 30, 2004	<u>\$ 6,086,680</u>

This year's major additions are:

Capital Improvements Programs (modernization completed on variety of the LMHA's Public Housing complexes)	\$ 354,902
Equipment Purchased	\$19,495

**ECONOMIC FACTORS**

Significant economic factors affecting LMHA are as follows:

- Federal funding of 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 and federal subsidy
- Inflationary pressure on utility rates, supplies and other costs
- Local residential rental market trends, which can affect program utilization and costs

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2004

UNAUDITED

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Mark A. Parks, Jr., CPA, Director of Finance of the Lake Metropolitan Housing Authority, at (440) 354-3347. Specific requests may be submitted to Mark A. Parks, Jr., CPA, Director of Finance, Lake Metropolitan Housing Authority, 189 First Street, Painesville, OH 44077.



**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2004**

***ASSETS***

**Current assets**

Cash and cash equivalents	\$ 1,080,790
Investments	1,510,996
Receivables, net	288,594
Prepaid expenses and other assets	34,309
Interprogram due from	496,024
<b>Total current assets</b>	<b><u>3,410,713</u></b>

**Noncurrent assets**

Capital assets:	
Land	692,731
Building and equipment	11,655,547
Construction in Progress	1,125,287
Less accumulated depreciation	<u>(7,386,885)</u>
<b>Total noncurrent assets</b>	<b><u>6,086,680</u></b>
<b>Total assets</b>	<b><u>\$ 9,497,393</u></b>

***LIABILITIES***

**Current liabilities**

Accounts payable	\$ 133,441
Accrued liabilities	60,177
Intergovernmental payables	364,029
Tenant security deposits	48,939
Other current liabilities	173,318
Interprogram due to	496,024
<b>Total current liabilities</b>	<b><u>1,275,928</u></b>

**Noncurrent liabilities**

Accrued compensated absences non-current	<u>25,174</u>
<b>Total noncurrent liabilities</b>	<b><u>25,174</u></b>
<b>Total liabilities</b>	<b><u>\$ 1,301,102</u></b>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets (Continued)**  
**Proprietary Funds**  
**June 30, 2004**

***NET ASSETS***

Invested in capital assets, net of related debt	\$ 6,086,680
Unrestricted net assets	<u>2,109,611</u>
<b>Total net assets</b>	<b><u><u>8,196,291</u></u></b>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

***OPERATING REVENUES***

Tenant Revenue	\$ 427,739
Government operating grants	9,707,218
Other revenue	28,274
<b>Total operating revenues</b>	<b><u>10,163,231</u></b>

***OPERATING EXPENSES***

Administrative	888,872
Tenant services	4,086
Utilities	218,624
Maintenance	336,206
Protective services	30,472
General	67,150
Housing assistance payment	8,999,281
Depreciation	586,353
<b>Total operating expenses</b>	<b><u>11,131,044</u></b>
<b>Operating income (loss)</b>	<b><u>(967,813)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	32,801
Loss from Sale of Assets	(18,288)
<b>Total nonoperating revenues (expenses)</b>	<b><u>14,513</u></b>
Income (loss) before contributions and transfers	(953,300)
Capital grants	360,418
Change in net assets	(592,882)
Prior Period Adjustment	(155,857)
Total net assets - beginning	8,945,030
<b>Total net assets - ending</b>	<b><u>\$ 8,196,291</u></b>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating grants received	\$9,576,757
Tenant revenue received	443,383
Other revenue received	28,274
General and administrative expenses paid	(1,373,735)
Housing assistance payments	<u>(8,999,281)</u>
Net cash provided (used) by operating activities	<u>(324,602)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	32,801
Transfer to investment account	<u>(45,143)</u>
Net cash provided (used) by investing activities	<u>(12,342)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>	
Capital grant funds received	360,418
Proceeds from sale of assets	54,988
Property and equipment purchased	<u>(374,397)</u>
Net cash provided (used) by capital and related activities	<u>41,009</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal Payment	<u>0</u>
Net cash provided (used) by financing activities	<u>0</u>
Net increase (decrease) in cash	(295,935)
Cash and cash equivalents - Beginning of year	<u>1,376,725</u>
Cash and cash equivalents - End of year	<u>\$1,080,790</u>

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

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$967,813)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	586,353
- Loss from Sale of Assets	18,288
- (Increases) Decreases in Accounts Receivable	(114,817)
- (Increases) Decreases in Prepaid Assets	(1,718)
- Increases (Decreases) in Accounts Payable	65,948
- Increases (Decreases) in Accounts Payable - HUD	(33,047)
- Increases (Decreases) in Accounts Payable - PILOT	20,515
- Increases (Decreases) in Accrued Expenses Payable	20,982
- Increases (Decreases) in Other Current Liabilities	67,640
- Increases (Decreases) in Tenant Security Deposits	<u>13,067</u>
Net cash provided by operating activities	<u><u>(\$324,602)</u></u>

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The financial statements of the Lake Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

**Reporting Entity**

The Lake Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

**Basis of Presentation**

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

**Fund Accounting**

The Authority uses the proprietary fund to report on its financial position and the results of its operations for its programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

**Proprietary Fund Types**

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the 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 purposes.

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Description of programs**

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

**A. Public Housing Program**

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



LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

**B. Capital Fund Program**

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

**C. Housing Choice Voucher Program**

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

**D. Public Housing Development Program**

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

**E. Section 8 New Construction Program**

Lake MHA administers a Housing Assistance Payments contract on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

**F. State and Local**

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2004 totaled \$32,801.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

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

**Fixed Assets**

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

**Capital Contributions**

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

**Compensated Absences**

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)  
services are included in the calculation of the compensated absence accrual amount.

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

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

**Budgetary Accounting**

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: CASH AND INVESTMENTS**

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the PHA's name.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS** (Continued)  
Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash Equivalents	\$1,162,659	\$1,162,659	\$ -0-	\$ -0-	\$1,080,790
Total Deposits	\$2,684,733	\$2,684,733	\$ -0-	\$ -0-	\$1,080,790

The above carrying amount includes \$200 of petty cash.

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

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

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA’s name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the PHA’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the PHA’s name.

The PHA’s had investments of government securities and certificate of deposits and are summarized as follows:

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS** (Continued)

<u>DESCRIPTION</u>	<u>DEPOSITORY BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Investments	\$1,522,074	\$-0-	\$-0-	\$1,522,074	\$1,510,996
Total Investments	\$1,522,074	\$-0-	\$-0-	\$1,522,074	\$1,510,996

**NOTE 3: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2004 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

**NOTE 4: FIXED ASSETS**

The following is a summary:

Land	\$ 692731
Buildings	10,078,202
Furniture and Equipment	1,577,345
Construction in Progress	<u>1,125,287</u>
Total Fixed Assets	13,473,565
Accumulated Depreciation	<u>(7,286,885)</u>
Net Fixed Assets	<u><u>\$6,086,680</u></u>

LAKE METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2004  
 (CONTINUED)

**NOTE 4: FIXED ASSETS** (Continued)

The following is a summary of changes:

	<b><u>Balance</u></b> <b><u>06/30/03</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Balance</u></b> <b><u>06/30/04</u></b>
Land	\$711,020	\$-0-	(\$18,289)	\$ 692731
Buildings	10,078,202	-0-	-0-	10,078,202
Furniture and Equipment	1,557,850	19,495	-0-	1,577,345
Construction in Progress	770,385	354,902	-0-	1,125,287
Total Fixed Assets	<u>\$13,117,457</u>	<u>\$374,397</u>	<u>(\$18,289)</u>	<u>\$13,473,565</u>

The depreciation expense for the year ended June 30, 2004 was \$586,353.

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES**  
RETIREMENT SYSTEM

All full-time employees of the authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement systems administered by the Public Employees Retirement Board.

OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2004 employer pension contribution rate for the authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The authority required contributions to OPERS for the years ended June 30, 2004, 2004, and 2003 were \$81,543, \$73,187 and \$69,214 respectively. Ninety-Two percent has been contributed for 2004. All required contributions for the two previous years have been paid.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No.12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$30,089. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range for 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively

**NOTE 7: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 8: PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$155,857 was necessary to properly state beginning equity balance. The adjustment represents the following:

**Housing Choice Voucher Program**

- Adjustment to reflect excess operating reserve recapture by HUD \$113,907

**Low Rent Public Housing Program**

- Adjustment to properly state allowance for doubtful account for vacated tenant receivable of \$41,950.

**NOTE 9: CONTINGENCIES**

**Litigations and Claims**

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2004 the PHA was involved in such matters. While the outcome of these matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

**NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year beginning July 1, 2004 the Authority Implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. The table bellow shows the reclassification adjustment necessary.

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$7,186,391	\$1,758,639	\$0	\$0	\$8,945,030
Reclassification - GASB 34	(7,186,391)	(1,758,639)	6,316,924	2,628,106	0
Restated Beginning Balance	0	0	6,316,924	2,628,106	8,945,030
Fixed Assets Addition	0	0	374,397	(13,979)	360,418
Fixed Assets Disposed	0	0	(18,288)	0	(18,288)
Prior Period Adjustment	0	0	0	(155,857)	(155,857)
Depreciation Expense	0	0	(586,353)	0	(586,353)
Current Year Profit (Loss)	0	0	0	(348,659)	(348,659)
Ending Net Assets	\$0	\$0	\$6,086,680	\$2,109,611	\$8,196,291



Lake Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$33,874	\$105,731	\$204,187	\$611,132	\$0	\$0	\$954,924
113	Cash - Other Restricted	\$0	\$0	\$0	\$125,866	\$0	\$0	\$125,866
100	Total Cash	\$33,874	\$105,731	\$204,187	\$736,998	\$0	\$0	\$1,080,790
122	Accounts receivable - HUD other projects	\$0	\$0	\$4,423	\$0	\$198,020	\$0	\$202,443
125	Accounts Receivable - Miscellaneous	\$0	\$2,081	\$42,076	\$0	\$0	\$0	\$44,157
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$82,994	\$0	\$0	\$0	\$0	\$82,994
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$41,000)	\$0	\$0	\$0	\$0	(\$41,000)
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$44,075	\$46,499	\$0	\$198,020	\$0	\$288,594
131	Investments - Unrestricted	\$118,979	\$297,554	\$0	\$892,154	\$0	\$202,309	\$1,510,996
142	Prepaid Expenses and Other Assets	\$0	\$24,906	\$0	\$9,403	\$0	\$0	\$34,309
144	Interprogram Due From	\$120,276	\$360,015	\$0	\$0	\$0	\$15,733	\$496,024
150	Total Current Assets	\$273,129	\$832,281	\$250,686	\$1,638,555	\$198,020	\$218,042	\$3,410,713
161	Land	\$0	\$692,731	\$0	\$0	\$0	\$0	\$692,731
162	Buildings	\$0	\$10,078,202	\$0	\$0	\$0	\$0	\$10,078,202
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$259,914	\$0	\$0	\$5,516	\$0	\$265,430
164	Furniture, Equipment & Machinery - Administration	\$51,044	\$1,090,706	\$0	\$170,165	\$0	\$0	\$1,311,915
166	Accumulated Depreciation	(\$51,044)	(\$7,193,312)	\$0	(\$141,736)	(\$793)	\$0	(\$7,386,885)
167	Construction In Progress	\$0	\$0	\$373,395	\$0	\$751,892	\$0	\$1,125,287
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$4,928,241	\$373,395	\$28,429	\$756,615	\$0	\$6,086,680
190	Total Assets	\$273,129	\$5,760,522	\$624,081	\$1,666,984	\$954,635	\$218,042	\$9,497,393

Lake Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	\$734	\$128,801	\$0	\$3,906	\$0	\$0	\$133,441
321	Accrued Wage/Payroll Taxes Payable	\$503	\$27,311	\$0	\$18,825	\$0	\$0	\$46,639
322	Accrued Compensated Absences - Current Portion	\$689	\$3,136	\$0	\$9,451	\$0	\$0	\$13,276
331	Accounts Payable - HUD PHA Programs	\$13,902	\$0	\$246,281	\$0	\$0	\$0	\$260,183
333	Accounts Payable - Other Government	\$0	\$103,846	\$0	\$0	\$0	\$0	\$103,846
341	Tenant Security Deposits	\$0	\$48,939	\$0	\$0	\$0	\$0	\$48,939
345	Other Current Liabilities	\$0	\$52,195	\$0	\$121,123	\$0	\$0	\$173,318
346	Accrued Liabilities - Other	\$0	\$262	\$0	\$0	\$0	\$0	\$262
347	Interprogram Due To	\$2,622	\$0	\$4,405	\$290,977	\$198,020	\$0	\$496,024
310	Total Current Liabilities	\$18,450	\$364,490	\$250,686	\$444,282	\$198,020	\$0	\$1,275,928
354	Accrued Compensated Absences - Non Current	\$0	\$6,271	\$0	\$18,903	\$0	\$0	\$25,174
350	Total Noncurrent Liabilities	\$0	\$6,271	\$0	\$18,903	\$0	\$0	\$25,174
300	Total Liabilities	\$18,450	\$370,761	\$250,686	\$463,185	\$198,020	\$0	\$1,301,102
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$4,928,241	\$373,395	\$28,429	\$756,615	\$0	\$6,086,680
512.1	Unrestricted Net Assets	\$254,679	\$461,520	\$0	\$1,175,370	\$0	\$218,042	\$2,109,611
513	Total Equity/Net Assets	\$254,679	\$5,389,761	\$373,395	\$1,203,799	\$756,615	\$218,042	\$8,196,291
600	Total Liabilities and Equity/Net Assets	\$273,129	\$5,760,522	\$624,081	\$1,666,984	\$954,635	\$218,042	\$9,497,393

Lake Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Equity  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$420,888	\$0	\$0	\$0	\$0	\$420,888
704	Tenant Revenue - Other	\$0	\$6,851	\$0	\$0	\$0	\$0	\$6,851
705	Total Tenant Revenue	\$0	\$427,739	\$0	\$0	\$0	\$0	\$427,739
706	HUD PHA Operating Grants	\$469,938	\$449,971	\$0	\$8,740,827	\$46,482	\$0	\$9,707,218
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$360,418	\$0	\$360,418
711	Investment Income - Unrestricted	\$1,554	\$5,104	\$0	\$20,920	\$0	\$5,223	\$32,801
715	Other Revenue	\$0	\$16,011	\$0	\$12,263	\$0	\$0	\$28,274
716	Gain/Loss on Sale of Fixed Assets	\$0	(\$18,288)	\$0	\$0	\$0	\$0	(\$18,288)
700	Total Revenue	\$471,492	\$880,537	\$0	\$8,774,010	\$406,900	\$5,223	\$10,538,162
911	Administrative Salaries	\$9,106	\$115,915	\$0	\$374,090	\$0	\$0	\$499,111
912	Auditing Fees	\$500	\$3,250	\$0	\$3,250	\$0	\$0	\$7,000
915	Employee Benefit Contributions - Administrative	\$2,725	\$43,479	\$0	\$117,080	\$0	\$0	\$163,284
916	Other Operating - Administrative	\$2,575	\$76,393	\$0	\$94,027	\$46,482	\$0	\$219,477
924	Tenant Services - Other	\$0	\$4,086	\$0	\$0	\$0	\$0	\$4,086
931	Water	\$0	\$38,860	\$0	\$38	\$0	\$0	\$38,898
932	Electricity	\$0	\$134,568	\$0	\$244	\$0	\$0	\$134,812
933	Gas	\$0	\$44,763	\$0	\$2	\$0	\$0	\$44,765
938	Other Utilities Expense	\$0	\$149	\$0	\$0	\$0	\$0	\$149
941	Ordinary Maintenance and Operations - Labor	\$0	\$102,685	\$0	\$0	\$0	\$0	\$102,685
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$46,204	\$0	\$8,961	\$0	\$0	\$55,165
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$133,804	\$0	\$4,661	\$0	\$0	\$138,465

Lake Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Equity  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Development	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$38,556	\$0	\$0	\$0	\$0	\$38,556
952	Protective Services - Other Contract Costs	\$0	\$27,343	\$0	\$3,129	\$0	\$0	\$30,472
961	Insurance Premiums	\$0	\$30,596	\$0	\$10,449	\$0	\$0	\$41,045
962	Other General Expenses	\$0	\$2,105	\$0	\$0	\$0	\$0	\$2,105
963	Payments in Lieu of Taxes	\$0	\$24,000	\$0	\$0	\$0	\$0	\$24,000
969	Total Operating Expenses	\$14,906	\$866,756	\$0	\$615,931	\$46,482	\$0	\$1,544,075
970	Excess Operating Revenue over Operating Expenses	\$456,586	\$13,781	\$0	\$8,158,079	\$360,418	\$5,223	\$8,994,087
971	Extraordinary Maintenance	\$0	\$0	\$0	\$1,335	\$0	\$0	\$1,335
973	Housing Assistance Payments	\$441,881	\$0	\$0	\$8,557,400	\$0	\$0	\$8,999,281
974	Depreciation Expense	\$0	\$570,747	\$0	\$14,813	\$793	\$0	\$586,353
900	Total Expenses	\$456,787	\$1,437,503	\$0	\$9,189,479	\$47,275	\$0	\$11,131,044
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$14,705	(\$556,966)	\$0	(\$415,469)	\$359,625	\$5,223	(\$592,882)
1103	Beginning Equity	\$239,974	\$5,988,677	\$373,395	\$1,733,175	\$396,990	\$212,819	\$8,945,030
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	(\$41,950)	\$0	(\$113,907)	\$0	\$0	(\$155,857)
	Ending Equity	\$254,679	\$5,389,761	\$373,395	\$1,203,799	\$756,615	\$218,042	\$8,196,291

Lake Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Equity  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2004

Line Item No.	Line Item No.	Line Item No.	Line Item No.	Line Item No.	Line Item No.	Line Item No.	Line Item No.	Line Item No.
1113	Maximum Annual Contributions Commitment (Per ACC)	\$360,758	\$0	\$0	\$9,116,164	\$0	\$0	\$9,476,922
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$175,492	\$0	\$0	\$496,191	\$0	\$0	\$671,683
1116	Total Annual Contributions Available	\$536,250	\$0	\$0	\$9,612,355	\$0	\$0	\$10,148,605
1120	Unit Months Available	936	2,892	-	15,902	-	-	19,730
1121	Number of Unit Months Leased	936	2,700	-	15,893	-	-	19,,529

Lake Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
June 30, 2004

Capital Fund Program Number OH12P02550101

1. The Program Costs are as follows:

Funds Approved	\$363,180
Funds Expended	<u>363,180</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$363,180
Funds Expended	<u>363,180</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 13, 2004.
4. The final costs on the certification agree to the Authority's records.

Lake Metropolitan Housing Authority  
 Schedule of Expenditures of Federal Award  
 For the Year Ended June 30, 2004

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
N/C S/R Section 8 Programs	14.182	\$469,938
Low Rent Public Housing	14.850a	449,971
Housing Choice Vouchers	14.871	8,740,827
Public Housing Capital Fund Program	14.872	<u>406,900</u>
Total Expenditure of Federal Award		<u><u>\$10,067,636</u></u>



6548 Royalton Road, Suite 104  
North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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

Board of Directors  
Lake Metropolitan Housing Authority

I have audited the basic financial statements of the Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, and have issued my report thereon dated November 22, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Lake Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Lake Metropolitan Housing Authority, Ohio, in a separate letter dated November 22, 2004.



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

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style. A vertical line is positioned to the left of the signature, and a horizontal line is positioned below it, intersecting at the start of the signature.

Salvatore Consiglio, CPA, Inc.

November 22, 2004



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North Royalton, Ohio 44133  
Phone (440) 877-9870  
Fax (440) 877-9237  
[sconsiglio@aol.com](mailto:sconsiglio@aol.com)

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

Board of Directors  
Lake Metropolitan Housing Authority

**Compliance**

I have audited the compliance of the Lake 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, 2004. Lake Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result 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 Lake Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Lake Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Lake 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, 2004.

## **Internal Control Over Compliance**

The management of Lake 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 my audit, I considered Lake 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



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Salvatore Consiglio, CPA, Inc.

November 22, 2004

Lake Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2004

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850 and 14.871 - Low Rent Public Housing and Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$302,029 Type B: All Others
Low Risk Auditee?	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended June 30, 2004.

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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There are no Findings or questioned costs for the year ended June 30, 2004.

Lake Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2004

The following are the status of the June 30, 2003 audit findings. Those findings not fully corrected are repeated in the 2003 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
GAS-2004-1	Outstanding Checks carried on books issued in year 2000	No	Partially Corrected – Adjustment made for some outstanding checks. PHA fiscal staff still investigating outstanding checks. Checks dated as far back as April 2003 still remain on the books. A management comment was issued in a report to management.
GAS-2004-2	3 certificate of deposits not recorded on PHA accounting records	Yes	Corrected – Certificate of deposits are recorded on the accounting records.
GAS-2004-3	Bank reconciliation variances not investigated or adjusted	No	Partially Corrected – Some of the errors have been investigated and corrected. However, as of June 30, 2004 a variance of \$1,880 still remain on the Public Housing Checking Account. A management comment was issued to correct the cash balance. A management comment was issued in a report to management.
GAS-2004-4	Credit Card payment made based on Statement and cash advance balance of \$9,000	Yes	Corrected – A letter was send to credit card to remove the cash advance feature. No errors noted during the audit period regarding payments made to credit card company. PHA Board Members are instructed to review documentation for proper support prior to signing checks.
GAS-2004-5	Payments made to vendors without proper supporting documentation	Yes	Corrected – No error noted during the audit period. PHA Board Members are instructed to review documentation for proper support prior to signing checks.
FED-2004-1	Family Self Sufficiency Program	No	Partially Corrected – Audit procedures revealed that interest is properly distributed monthly and statement given to tenant reflect interest earned. However, audit procedures still revealed errors: Cash balance on the ledger does not agree with the cash balance by FSS Coordinator. The liability amount on ledger does not agree with cash balance on ledger or cash balance by Coordinator. A management comment was issued in a report to management.

Lake Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2004

The following are the status of the June 30, 2003 audit findings. Those findings not fully corrected are repeated in the 2003 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
FED-2004-2	Signed authorization form HUD-9886	Yes	Corrected – Audit procedures revealed no errors. Staffs are updating files as tenants are recertified.
FED-2004-3	Third party income verification not obtained	Yes	Corrected – Audit procedures revealed no errors.
FED-2004-4	Utility allowance schedules not updated annually	Yes	Corrected – Audit procedures revealed no errors.
FED-2004-5	Data base for determining rent reasonable not maintained	Yes	Corrected – Audit procedures revealed no errors.
FED-2004-6	Wrong payment standard used	Yes	Corrected – Audit procedures revealed no errors.
FED-2004-7	Copy of lease agreements not kept in file	Yes	Corrected – Audit procedures revealed no errors.
FED-2004-8	Birth Certificate and Drivers Licenses not kept in file	Yes	Corrected – Audit procedures revealed no errors.
FED-2004-9	Annual recertification not done timely	Yes	Corrected – Audit procedures revealed no errors.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**LAKE METROPOLITAN HOUSING AUTHORITY**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**