

Lake Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2005





**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, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 26, 2006

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LAKE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2005

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## Independent Auditors' Report

Board of Directors  
Lake Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2005, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Lake Metropolitan Housing Authority, 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lake Metropolitan Housing Authority, Ohio, as of June 30, 2005, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 30, 2005, on my consideration of the 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 agreements and other matters. The purpose of that report is to describe the scope of my 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 read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. 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 financial statements that collectively comprise the Lake Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure 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 financial statements. The combining financial data schedule ("FDS") is 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.

December 30, 2005

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005

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 \$51,611 (or 0.6 %) during 2005. Net Assets were \$8,196,291 and \$8,144,680 for 2004 and 2005 respectively.
- Revenues increased by \$379,925 (or 3.6%) during 2005, and were \$10,556,450 and \$10,936,375 for 2004 and 2005 respectively.
- The total expenses of all Authority programs increased by \$95,024 (or 1%). Total expenses were \$11,149,332 and \$11,244,356 for 2004 and 2005 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":

**MD&A**

~Management's Discussion  
and Analysis~

**Basic Financial Statement**

~Authority Financial Statements – pgs 11-15~  
~Notes to Financial Statements – pgs 16 – 27~

**Other Required Supplementary Information**

~Required Supplementary Information - pgs 28-33~  
(other than the MD&A)



LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005

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  
JUNE 30, 2005

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**Fund Financial Statements**

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

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

**The Authority's Programs**

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

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

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. Due to the uncertainties of the funding from HUD, the Authority has determined that it will not be developing any new housing in the near future. Therefore, in effort to reduce the upkeep cost, the Authority started to re-sale the vacant lots purchased. The proceeds from the sale is recorded as restricted cash with an offsetting liability to HUD since the funds will need to be return.

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>2005</u>	<b>RESTATED</b> <u>2004</u>
Current and Other Assets	\$ 3,421,067	\$ 2,914,689
Capital Assets	<u>5,564,649</u>	<u>6,086,680</u>
 Total Assets	 <u>\$ 8,985,716</u>	 <u>\$ 9,001,369</u>
 Current Liabilities	 \$ 581,454	 \$ 779,904
Long-Term Liabilities	<u>259,582</u>	<u>25,174</u>
 Total Liabilities	 <u>841,036</u>	 <u>805,078</u>
 Net Assets:		
Investment in Capital Assets, net of Related Debt	5,564,649	6,086,680
Unrestricted Net Assets	<u>2,580,031</u>	<u>2,109,611</u>
 Total Net Assets	 <u>8,144,680</u>	 <u>8,196,291</u>
 Total Liabilities and Net Assets	 <u>\$ 8,985,716</u>	 <u>\$ 9,001,369</u>

For more detail information see Statement of Net Assets presented elsewhere in this report. The 2004 financial statements were restated to eliminate interprogram due To / From since the agency only operates one fund.

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

During 2005, current and other assets increased by \$506,378, and current liabilities decreased by \$198,450. These changes were reflective of current year activities.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Capital assets decreased from \$6,086,680 to \$5,564,649. The \$522,031 decrease may be contributed primarily to a combination of net acquisitions less current year depreciation. For more detail see "Capital Assets" below.

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

	<u>2005</u>	<u>2004</u>
<b><u>Revenues</u></b>		
Tenant Revenues	\$ 448,312	\$ 427,739
Operating Subsidies & Grants	10,188,346	9,707,218
Capital Grants	204,578	360,418
Investment Income	80,449	32,801
Other Revenues	14,690	28,274
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>10,936,375</b>	<b>10,556,450</b>
	<hr/>	<hr/>
<b><u>Expenses</u></b>		
Administrative	953,757	888,872
Tenant Services	4,230	4,086
Utilities	199,279	218,624
Maintenance	444,325	336,206
Protective Services	22,342	30,472
General Expenses	114,129	67,150
Housing Assistance Payments	8,758,034	8,999,281
Depreciation	553,103	586,353
Loss on Sale of Assets	195,157	18,288
	<hr/>	<hr/>
<b>Total Expenses</b>	<b>11,244,356</b>	<b>11,149,332</b>
	<hr/>	<hr/>
<b>Net Increases (Decreases)</b>	<b>\$ (307,981)</b>	<b>\$ (592,882)</b>
	<hr/>	<hr/>

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 increased by 4.8% from 2004 to 2005. This increase reflects both improvements in tenant incomes leading to higher rents paid, as well as improvements in vacancy turnarounds. Total HUD subsidies and grants also increased by 4.7%, while Capital Grant funding decreased by 43%. While funds granted for Capital Funds decreased, any individual Capital Grant can be expended over a four-year period. The Authority also utilized an investment strategy which increased returns within the constraints of HUD investment guidelines.

Expenses for the Authority also increased during the year. Most prominent increase was in Administrative costs, which includes primarily the costs of personnel. Salary and wage costs plus costs of benefits increased, and the housing authority had fewer employment vacancies in 2005 compared to 2004. Loss on the sale of assets reflects the sale of land acquired for a development program that is being disbanded.

**CAPITAL ASSETS**

**Capital Assets**

As of year end, the Authority had \$5,564,650 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$522,030 from the end of last year.

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

	<u>2005</u>	<u>2004</u>
Land and Land Rights	\$ 692,731	\$ 692,731
Building & Improvements	10,404,818	10,078,202
Equipment - Administrative	1,335,619	1,311,915
Equipment - Dwelling	259,914	265,430
Construction in Progress	811,556	1,125,287
Accumulated Depreciation	<u>(7,939,989)</u>	<u>(7,386,885)</u>
Total	<u>\$ 5,564,649</u>	<u>\$ 6,086,680</u>

LAKE METROPOLITAN HOUSING AUTHORITY  
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The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 23 of the notes.

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

Beginning Balance, July 1, 2004	\$	6,086,680
Current Year Additions		226,230
Current Year Disposals		(195,157)
Depreciation Expenses for the Year		(553,103)
Rounding Adjustments		<u>(1)</u>
Ending Balance, June 30, 2005	\$	<u><u>5,564,649</u></u>

This year's major additions are:

Capital Improvements Programs (modernization completed on variety of the LMHA's Public Housing complexes)		\$202,526
Equipment Purchased		\$23,704

**ECONOMIC FACTORS**

Significant economic factors affecting LMHA are as follows:

- Lake Metropolitan Housing Authority is dependent upon funding from the U.S. Department of Housing and Urban Development. As a result, federal appropriations for housing subsidy impacts program viability.
- Local labor supply and demand, which impacts salary and wage rates.
- Local inflationary and employment trends, which affect resident incomes and therefore affect the amount of rental income available to the Authority and federal subsidies needed.
- Inflationary pressures on utility rates, supplies and other costs
- Local residential rental market trends, which affect program utilization and costs.

LAKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005

UNAUDITED

**FINANCIAL CONTACT**

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Lake Metropolitan Housing Authority, Painesville, Ohio, 44077. The Lake Metropolitan Housing Authority telephone number is (440) 354-3347.

**LAKE METROPOLITAN HOUSING AUTHORITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

***ASSETS***

**Current assets**

Cash and cash equivalents	\$1,745,848
Restricted cash and cash equivalents	399,344
Investments	970,408
Receivables, net	267,540
Prepaid expenses and other assets	37,927
<b>Total current assets</b>	<b><u>3,421,067</u></b>

**Noncurrent assets**

Land	692,731
Building and equipment	12,000,351
Construction in Progress	811,556
Less accumulated depreciation	(7,939,989)
<b>Total noncurrent assets</b>	<b><u>5,564,649</u></b>
<b>Total assets</b>	<b><u><u>\$8,985,716</u></u></b>

***LIABILITIES***

**Current liabilities**

Accounts payable	\$21,166
Accrued liabilities	47,060
Intergovernmental payables	474,186
Tenant security deposits	37,059
Deferred revenue	1,983
<b>Total current liabilities</b>	<b><u>581,454</u></b>

**Noncurrent liabilities**

Accrued compensated absences non-current	31,985
Noncurrent liabilities - other	227,597
<b>Total noncurrent liabilities</b>	<b><u>259,582</u></b>
<b>Total liabilities</b>	<b><u><u>\$841,036</u></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, 2005**

***NET ASSETS***

Invested in capital assets, net of related debt	\$5,564,649
Restricted net assets	0
Unrestricted net assets	<u>2,580,031</u>
<b>Total net assets</b>	<b><u><u>\$8,144,680</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, 2005**

***OPERATING REVENUES***

Tenant Revenue	\$448,312
Government operating grants	10,188,346
Other revenue	14,690
<b>Total operating revenues</b>	<b><u>10,651,348</u></b>

***OPERATING EXPENSES***

Administrative	953,757
Tenant services	4,230
Utilities	199,279
Maintenance	444,325
Protective services	22,342
General	114,129
Housing assistance payment	8,758,034
Depreciation	553,103
<b>Total operating expenses</b>	<b><u>11,049,199</u></b>
<b>Operating income (loss)</b>	<b><u>(397,851)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	80,449
Loss from sale of capital assets	(195,157)
<b>Total nonoperating revenues (expenses)</b>	<b><u>(114,708)</u></b>
Income (loss) before contributions and transfers	(512,559)

Capital grants	204,578
Change in net assets	(307,981)
Prior period adjustment	256,370
Total net assets - beginning	8,196,291
<b>Total net assets - ending</b>	<b><u><u>\$8,144,680</u></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, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating grants received	\$10,589,102
Tenant revenue received	474,832
Other revenue received	54,186
General and administrative expenses paid	(2,090,227)
Housing assistance payments	(8,758,034)
	<u>269,859</u>

Net cash provided (used) by operating activities

269,859

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned	80,449
Transfer from investment account	540,589
	<u>621,038</u>

Net cash provided (used) by investing activities

621,038

**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

Capital grant funds received	204,578
Proceeds from sale of assets	195,157
Property and equipment purchased	(226,230)
	<u>173,505</u>

Net cash provided (used) by capital and related activities

173,505

Net increase (decrease) in cash

1,064,402

Cash and cash equivalents - Beginning of year

1,080,790

Cash and cash equivalents - End of year

\$2,145,192

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, 2005**

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

Net Operating Income (Loss)	(\$397,851)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	553,103
- Loss from Sale of Assets	(195,157)
- (Increases) Decreases in Accounts Receivable	277,424
- (Increases) Decreases in Prepaid Assets	(3,618)
- Increases (Decreases) in Accounts Payable	(112,275)
- Increases (Decreases) in Accounts Payable - HUD	188,131
- Increases (Decreases) in Accounts Payable - PILOT	(77,974)
- Increases (Decreases) in Accrued Expenses Payable	159
- Increases (Decreases) in Other Current Liabilities	(173,318)
- Increases (Decreases) in Other Non-Current Liabilities	227,597
- Increases (Decreases) in Deferred Revenue	1,983
- Increases (Decreases) in Accrued Compensated Absence	(6,465)
- Increases (Decreases) in Tenant Security Deposits	<u>(11,880)</u>
Net cash provided by operating activities	<u><u>\$269,859</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, 2005

**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.

**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.

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

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.

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:

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

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 after 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.

**B. Capital Fund Program**

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

**C. Housing Choice Voucher Program**

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

**D. Public Housing Development Program**

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

**E. 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, 2005 totaled \$80,449.

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.



LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – 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 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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

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.

**Income Taxes**

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

**NOTE 2: DEPOSIT AND INVESTMENTS**

***Legal and Other Requirements*** - The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority's written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, and obligations of certain political subdivisions of Ohio and the United States government and its agencies.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations 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 Authority is also prohibited from investing in reverse purchase agreements. Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

**Deposits**

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

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

Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

**Investments**

Category 1 Insured or registered, or securities held by the Authority or its agent in the Authority's name.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

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

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

**Deposits** - At year-end, the carrying amount of the Authority's deposits was \$2,145,191 and the bank balance was \$2,319,034. The difference represents outstanding checks and deposits in transit. Of the bank balance, \$300,000 was covered by federal depository insurance. The remainder was covered by collateralization held by the banks for the Authority's deposits as required by HUD.

**Investments** - The Authority's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year end. The risk categories were described previously in this footnote.

<u>Category</u>	<u>Cost</u>	<u>Fair Value</u>
3 Money Market Funds	\$36,300	\$36,300
3 Certificates of Deposits	165,000	163,409
A 3 U.S. Treasury / Agency Securities	739,000	770,699
Total Investments	<u>\$940,300</u>	<u>\$970,408</u>

**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, 2005 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.

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

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

**NOTE 3: RISK MANAGEMENT** (Continued)

employees and natural disasters. During fiscal year ending June 30, 2005 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: CAPITAL ASSETS**

The following is a summary:

Land	\$ 692,731
Buildings	10,404,818
Furniture and Equipment	1,595,533
Construction in Progress	<u>811,556</u>
Total Capital Assets	13,504,638
Accumulated Depreciation	<u>(7,939,989)</u>
Net Capital Assets	<u><u>\$5,564,649</u></u>

The following is a summary of changes:

	<u>Balance</u> <u>06/30/04</u>	<u>Adjust.</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/05</u>
Land	\$ 692,731	\$0	\$0	\$195,157	\$ 692,731
Buildings	10,078,202	124,090	202,526	0	10,404,818
Furniture and Equipment	1,577,345	(5,516)	23,704	0	1,595,533
Construction in Progress	<u>1,125,287</u>	<u>(118,574)</u>	<u>0</u>	<u>0</u>	<u>811,556</u>
Total Fixed Assets	<u>\$13,473,565</u>	<u>\$0</u>	<u>\$226,230</u>	<u>\$195,157</u>	<u>\$13,504,638</u>

The depreciation expense for the year ended June 30, 2005 was \$553,103.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system 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.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 employer pension contribution rate for Authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2005, 2004, and 2003 amounted to \$94,132, \$81,543, and \$73,187. These costs have been charged to the employee fringe benefit account. Ninety-Two percent has been contributed for 2005. 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, 2005  
(CONTINUED)

**NOTE 6: POST-EMPLOYMENT BENEFITS**

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 2005 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2005 was 4.0 percent of covered payroll, which amounted to \$27,788. 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, 2004. 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 2004 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 from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

LAKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

**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.

**NOTE 8: RESTRICTED CASH**

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. Due to the uncertainties of the funding from HUD, the Authority has determined that it will not be developing any new housing in the near future. Therefore, in effort to reduce the upkeep cost, the Authority started to re-sale the vacant lots purchased. The proceeds from the sale of \$399,344 is recorded as restricted cash.

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$256,370 was necessary to properly state beginning equity balance. The adjustment represents the following:

HUD adjustment to the Housing Choice Voucher Program for prior year administration fee earned.	\$320,349
Adjustment to properly state the investment balances in Morgan Stanley at cost (the lower basis):	
- Low Rent Public Housing Program	(4,427)
- Housing Choice Voucher Program	(54,879)
- State and Local Program	(4,673)
Total Prior Period Adjustment	\$256,370

**NOTE 10: TENANT ACCOUNT RECEIVABLES**

As of June 30, 2005, tenant account receivable is shown net of an allowance for doubtful accounts of \$15,474.

**NOTE 11: ECONOMIC DEPENDENCY**

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



Lake Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2005

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	\$191,156	\$83,270	\$0	\$1,189,964	\$0	\$110,227	\$1,574,617
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$399,344	\$0	\$0	\$0	\$399,344
113	Cash - Other Restricted	\$0	\$0	\$0	\$171,231	\$0	\$0	\$171,231
100	Total Cash	\$191,156	\$83,270	\$399,344	\$1,361,195	\$0	\$110,227	\$2,145,192
122	Accounts Receivable - HUD Other Projects	\$45,601	\$0	\$0	\$0	\$200,587	\$0	\$246,188
125	Accounts Receivable - Miscellaneous	\$0	\$4,661	\$0	\$0	\$0	\$0	\$4,661
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$21,834	\$0	\$0	\$0	\$0	\$21,834
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$6,360)	\$0	\$0	\$0	\$0	(\$6,360)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$157	\$297	\$0	\$763	\$0	\$0	\$1,217
120	Total Receivables, net of allowances for doubtful accounts	\$45,758	\$20,432	\$0	\$763	\$200,587	\$0	\$267,540
131	Investments - Unrestricted	\$0	\$197,560	\$0	\$677,442	\$0	\$95,406	\$970,408
142	Prepaid Expenses and Other Assets	\$0	\$37,138	\$0	\$789	\$0	\$0	\$37,927
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$37,319	\$187,318	\$0	\$0	\$0	\$15,733	\$240,370
150	Total Current Assets	\$274,233	\$525,718	\$399,344	\$2,040,189	\$200,587	\$221,366	\$3,661,437
161	Land	\$0	\$692,731	\$0	\$0	\$0	\$0	\$692,731
162	Buildings	\$0	\$10,078,202	\$0	\$21,652	\$304,964	\$0	\$10,404,818
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$259,914	\$0	\$0	\$0	\$0	\$259,914
164	Furniture, Equipment & Machinery - Administration	\$51,044	\$1,090,706	\$0	\$170,165	\$23,704	\$0	\$1,335,619
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	(\$51,044)	(\$7,710,144)	\$0	(\$152,936)	(\$25,865)	\$0	(\$7,939,989)

Lake Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2005

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
167	Construction In Progress	\$0	\$0	\$178,238	\$0	\$633,318	\$0	\$811,556
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$4,411,409	\$178,238	\$38,881	\$936,121	\$0	\$5,564,649
190	Total Assets	\$274,233	\$4,937,127	\$577,582	\$2,079,070	\$1,136,708	\$221,366	\$9,226,086
312	Accounts Payable <= 90 Days	\$0	\$14,503	\$0	\$2,879	\$3,784	\$0	\$21,166
321	Accrued Wage/Payroll Taxes Payable	\$513	\$24,330	\$0	\$22,217	\$0	\$0	\$47,060
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$399,344	\$48,970	\$0	\$0	\$448,314
333	Accounts Payable - Other Government	\$0	\$25,872	\$0	\$0	\$0	\$0	\$25,872
341	Tenant Security Deposits	\$0	\$37,059	\$0	\$0	\$0	\$0	\$37,059
342	Deferred Revenues	\$0	\$1,983	\$0	\$0	\$0	\$0	\$1,983
347	Interprogram Due To	\$1,732	\$15,733	\$0	\$26,102	\$196,803	\$0	\$240,370
310	Total Current Liabilities	\$2,245	\$119,480	\$399,344	\$100,168	\$200,587	\$0	\$821,824
354	Accrued Compensated Absences - Non Current	\$334	\$16,243	\$0	\$15,408	\$0	\$0	\$31,985
353	Noncurrent Liabilities - Other	\$0	\$56,366	\$0	\$171,231	\$0	\$0	\$227,597
350	Total Noncurrent Liabilities	\$334	\$72,609	\$0	\$186,639	\$0	\$0	\$259,582
300	Total Liabilities	\$2,579	\$192,089	\$399,344	\$286,807	\$200,587	\$0	\$1,081,406
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$4,411,409	\$178,238	\$38,881	\$936,121	\$0	\$5,564,649
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$271,654	\$333,629	\$0	\$1,753,382	\$0	\$221,366	\$2,580,031
513	Total Equity/Net Assets	\$271,654	\$4,745,038	\$178,238	\$1,792,263	\$936,121	\$221,366	\$8,144,680
600	Total Liabilities and Equity/Net Assets	\$274,233	\$4,937,127	\$577,582	\$2,079,070	\$1,136,708	\$221,366	\$9,226,086

Lake Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2005

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	\$448,312	\$0	\$0	\$0	\$0	\$448,312
705	Total Tenant Revenue	\$0	\$448,312	\$0	\$0	\$0	\$0	\$448,312
706	HUD PHA Operating Grants	\$503,934	\$445,764	\$0	\$9,183,560	\$55,088	\$0	\$10,188,346
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$204,578	\$0	\$204,578
711	Investment Income - Unrestricted	\$3,389	\$14,962	\$0	\$54,101	\$0	\$7,997	\$80,449
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$0	\$8,606	\$0	\$6,084	\$0	\$0	\$14,690
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	(\$195,157)	\$0	\$0	\$0	(\$195,157)
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$507,323	\$917,644	(\$195,157)	\$9,243,745	\$259,666	\$7,997	\$10,741,218
911	Administrative Salaries	\$10,213	\$161,743	\$0	\$385,985	\$0	\$0	\$557,941
912	Auditing Fees	\$500	\$3,453	\$0	\$2,953	\$0	\$0	\$6,906
914	Compensated Absences	\$0	\$6,836	\$0	\$0	\$0	\$0	\$6,836
915	Employee Benefit Contributions - Administrative	\$2,750	\$52,520	\$0	\$118,458	\$0	\$0	\$173,728
916	Other Operating - Administrative	\$1,960	\$95,790	\$0	\$90,508	\$20,088	\$0	\$208,346
924	Tenant Services - Other	\$0	\$4,230	\$0	\$0	\$0	\$0	\$4,230
931	Water	\$0	\$41,516	\$0	\$0	\$0	\$0	\$41,516
932	Electricity	\$0	\$122,612	\$0	\$0	\$0	\$0	\$122,612
933	Gas	\$0	\$35,151	\$0	\$0	\$0	\$0	\$35,151
941	Ordinary Maintenance and Operations - Labor	\$0	\$145,090	\$0	\$0	\$0	\$0	\$145,090
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$146,088	\$0	\$10,048	\$0	\$0	\$156,136
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$85,595	\$0	\$10,392	\$0	\$0	\$95,987
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$47,112	\$0	\$0	\$0	\$0	\$47,112
952	Protective Services - Other Contract Costs	\$0	\$18,162	\$0	\$4,180	\$0	\$0	\$22,342

Lake Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2005

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
961	Insurance Premiums	\$0	\$38,535	\$0	\$975	\$0	\$0	\$39,510
962	Other General Expenses	\$0	\$3,208	\$0	\$2,944	\$0	\$0	\$6,152
963	Payments in Lieu of Taxes	\$0	\$24,903	\$0	\$0	\$0	\$0	\$24,903
964	Bad Debt - Tenant Rents	\$0	\$43,564	\$0	\$0	\$0	\$0	\$43,564
969	Total Operating Expenses	\$15,423	\$1,076,108	\$0	\$627,222	\$20,088	\$0	\$1,738,062
970	Excess Operating Revenue over Operating Expenses	\$491,900	(\$158,464)	(\$195,157)	\$8,617,302	\$239,578	\$7,997	\$9,003,156
973	Housing Assistance Payments	\$474,925	\$0	\$0	\$8,283,109	\$0	\$0	\$8,758,034
974	Depreciation Expense	\$0	\$516,832	\$0	\$11,199	\$25,072	\$0	\$553,103
900	Total Expenses	\$490,348	\$1,592,940	\$0	\$8,920,751	\$45,160	\$0	\$11,049,199
1001	Operating Transfers In	\$0	\$35,000	\$0	\$0	\$0	\$0	\$35,000
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	(\$35,000)	\$0	(\$35,000)
1010	Total Other Financing Sources (Uses)	\$0	\$35,000	\$0	\$0	(\$35,000)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$16,975	(\$640,296)	(\$195,157)	\$322,994	\$179,506	\$7,997	(\$307,981)
1103	Beginning Equity	\$254,679	\$5,389,761	\$373,395	\$1,203,799	\$756,615	\$218,042	\$8,196,291
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	(\$4,427)	\$0	\$265,470	\$0	(\$4,673)	\$256,370
	Ending Equity	\$271,654	\$4,745,038	\$178,238	\$1,792,263	\$936,121	\$221,366	\$8,144,680
1113	Maximum Annual Contributions Commitment (Per ACC)	\$519,443	\$0	\$0	\$9,284,572	\$0	\$0	\$9,804,015
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Lake Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2005

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
1115	Contingency Reserve, ACC Program Reserve	\$29,417	\$0	\$0	\$204,847	\$0	\$0	\$234,264
1116	Total Annual Contributions Available	\$548,860	\$0	\$0	\$9,489,419	\$0	\$0	\$10,038,279
1120	Unit Months Available	936	2,868	0	16,076	0	0	19,880
1121	Number of Unit Months Leased	936	2,731	0	15,342	0	0	19,009

Lake Metropolitan Housing Authority  
 Schedule of Expenditures of Federal Award  
 For the Year Ended June 30, 2005

<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	\$503,934
Low Rent Public Housing	14.850a	445,764
Housing Choice Vouchers	14.871	9,183,560
Public Housing Capital Fund Program	14.872	<u>259,666</u>
Total Expenditure of Federal Award		<u>\$10,392,924</u>



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**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  
Lake Metropolitan Housing Authority

I have audited the financial statements of the Lake Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2005, and have issued my report thereon dated December 30, 2005. 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.

**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 financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Lake Metropolitan Housing Authority, Ohio's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-LMHA-1 through 2005-LMHA-2.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 2005-LMAH-1 and 2005-LMHA-2 to be material weaknesses. In addition, I noted certain matters that I reported to management in Lake Metropolitan Housing Authority, Ohio, in a separate letter dated December 30, 2005.

### **Compliance and Other Matters**

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

This report is intended solely for the information of the Board of Directors, management, 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.



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Salvatore Consiglio, CPA, Inc.

December 30, 2005





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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, 2005. 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, 2005.

## **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 for the information of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



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Salvatore Consiglio, CPA, Inc.

December 30, 2005

Lake Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2005

<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)?	Yes
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 # 14.871 - Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$311,788 Type B: All Others
Low Risk Auditee?	No

Lake Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2005

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS        REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**REPORTABLE CONDITION**

FINDING NUMBER	2005-LMHA -1
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**Material Weakness - Capital Assets**

The Authority does not maintain an adequate detailed capital asset listing for capital assets. Also, depreciation expense was calculated by major class of assets rather than by individual asset or like assets. The failure to maintain an accurate capital asset listing and calculate depreciation by individual or like assets did not enable auditors to obtain sufficient evidential matter regarding the amounts reported for capital assets on the Statement of Net Assets and depreciation expense on the Statements of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds. This could increase the risk that capital assets may be inaccurate for reporting and insurance purposes and increase the possibility of theft or loss without detection.

This condition has been noted in prior audit with a recommendation that the Authority performs a physical inventory of all items it owns and reconcile the inventory to the depreciation schedule. This recommendation has been made year after year without the complying.

Recommendation:

The Authority should have a formal policy in place to track additions and deletions and to maintain an up-to date capital asset listing for all funds. The capital asset listing should include opening balances, additions and deletions by category and fund, ending balances, current and accumulated depreciation (if applicable), carrying amounts for all assets, location and purchase date. The capital asset system should also assign each asset to a functional category so that the Authority can allocate depreciation expense to proper functions. The capital asset procedures should include documents for the addition and deletion of capital assets with signatures of the responsible officials. The policy should also require depreciation to be calculated by individual items or like assets.

FINDING NUMBER	2005-LMHA -2
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**Material Weakness – Supporting Documentation**

Supporting documentation for expenditure testing was not provided. Several vendors’ invoices and payroll taxes returns filed could not be located. Cancelled checks were provided thru copies obtained from bank. Some of the copies of the checks from the

Lake Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2005

bank were very difficult to read or to make out. The checks appeared to have been signed by Executive Director and Board Members, so the auditor assumed that expenditure were properly reviewed and approved. This appeared to have been caused by the turnover in the fiscal department during the current fiscal year. Failure to maintain proper supporting documentation did not enable auditors to obtain sufficient evidential matter regarding the amounts reported as expense on the Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Proprietary Funds. This could increase the risk of unauthorized or unallowable expenditures.

Recommendation:

The Authority must implement a central filing system. In addition, the Authority must have a formal record retention policy. The policy should address what is considered proper supporting documentation and how long the record must be kept. Authorization to destroy any record must be documented and approved.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There are no findings or questioned costs for the year ended June 30, 2005.

Lake Metropolitan Housing Authority  
 Schedule of Prior Audit Findings  
 June 30, 2005

The following are the status of the June 30, 2004 audit findings.

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	Yes	Corrected – Adjustment to write-off stale date checks was made
GAS-2004-3	Bank reconciliation variances not investigated or adjusted	Yes	Corrected – Bank reconciliation were made timely. No variances noted.
FED-2004-1	Family Self Sufficiency Program	No	Not Corrected – The cash balance on the financial statements did not agree with subsidiary ledger of tenants on the FSS program. Reconciliation between accounting records and FSS Coordinator was not performed.



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**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  
JULY 6, 2006**