

LORAIN METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2007

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LORAIN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2007, and for the year then ended, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lorain Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

October 26, 2007

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

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

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

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$764,969, or 1.9 percent, during 2007. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$40,912,848 and \$40,147,879 for 2007 and 2006, respectively.
- The Authority's revenue increased by \$748,063, or 2.5 percent, during 2007 and were \$30,507,148 and \$29,759,085 for 2007 and 2006, respectively.
- The total expenses, before extraordinary items, of all Authority programs increased by \$638,399, or 2.2 percent. Total expenses, before extraordinary items, were \$29,725,594 and \$29,087,195 for 2007 and 2006, respectively.

Financial Statements

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

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

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

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

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

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

The Authority's Programs

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

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

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

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

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

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

Table 1 - Statement of Net Assets

	2007	2006
<u>Assets</u>		
Current and Other Assets	\$ 12,600,239	\$ 11,734,659
Capital Assets	<u>33,766,403</u>	<u>34,344,532</u>
Total Assets	<u>46,366,642</u>	<u>46,079,191</u>
<u>Liabilities</u>		
Other Liabilities	1,179,941	1,546,710
Long-Term Liabilities	<u>4,273,853</u>	<u>4,384,602</u>
Total Liabilities	<u>5,453,794</u>	<u>5,931,312</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	30,711,498	31,103,038
Restricted	1,054,139	930,040
Unrestricted	<u>9,147,211</u>	<u>8,114,801</u>
Total Net Assets	<u>\$40,912,848</u>	<u>\$40,147,879</u>

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

Major Factors Affecting the Statement of Net Assets

Current assets were increased by \$865,580 while current liabilities were decreased by \$366,769. Current assets, primarily cash and investments, increased due to over funding of the Section 8 program, which was caused by a decreased average housing assistance payment during the fiscal year and the utilization of Capital Fund operating funding. Current liabilities decreased primarily due to the effects of the final recapture as required by the fiscal year 2003 Omnibus Appropriations bill.

Capital assets decreased by \$578,129 from \$34,344,532 to \$33,766,403. For more detail, see the section Capital Assets and Debt Administration.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

Table 2 - Change of Unrestricted Net Assets

Unrestricted Net Assets at June 30, 2006	\$ 8,114,802
Results of Operations	764,969
Adjustments:	
Depreciation (1)	<u>2,961,271</u>
Adjusted Results from Operations	3,762,240
Capital Expenditures	<u>(2,693,831)</u>
Unrestricted Net Assets at June 30, 2007	<u>\$ 9,147,211</u>

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

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

Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2007</u>	<u>2006</u>
<u>Revenues</u>		
Tenant Revenue - Rents and Other	\$ 2,230,021	\$ 2,291,585
Operating Subsidies and Grants	25,500,975	24,404,873
Capital Grants	1,913,834	2,429,884
Investment Income	588,916	442,156
Other Revenues	<u>273,402</u>	<u>190,587</u>
Total Revenues	<u>30,507,148</u>	<u>29,759,085</u>
<u>Expenses</u>		
Administrative	4,248,614	4,065,575
Tenant Services	158,775	135,275
Utilities	1,721,536	1,806,813
Maintenance	2,978,359	2,576,408
Protective Services	353,398	379,687
General	965,380	820,990
Housing Assistance Payments	16,338,261	16,430,265
Depreciation	<u>2,961,271</u>	<u>2,872,182</u>
Total Expenses before Extraordinary Item	29,725,594	29,087,195
Extraordinary Item	<u>16,585</u>	<u>(500,511)</u>
Total Expenses after Extraordinary Item	<u>29,742,179</u>	<u>28,586,684</u>
Net Increase/(Decrease)	<u>\$ 764,969</u>	<u>\$ 1,172,401</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

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

Total revenues increased by \$748,063. This net increase is a result of utilizing Capital Fund operating funding and the requirements to recognize Section 8 budget authority as revenue.

Total expenses before extraordinary items increased \$638,399 which is a 2.2% general increase in expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$33,766,403 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$578,132 from the end of last year.

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

	<u>2007</u>	<u>2006</u>
Land	\$ 5,230,866	\$ 5,187,870
Buildings	70,299,403	67,765,642
Office Equipment	843,321	801,481
Maintenance Equipment/Vehicles	863,114	861,310
Construction in Progress	582,257	879,563
Less Accumulated Depreciation	<u>(44,052,558)</u>	<u>(41,151,334)</u>
Total Capital Assets	<u>\$33,766,403</u>	<u>\$34,344,532</u>

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

Table 5 - Change in Capital Assets

Beginning Balance	\$34,344,532
Additions	2,383,142
Retirements, net of Depreciation	(60,047)
Depreciation	<u>(2,901,224)</u>
Ending Balance	<u>\$33,766,403</u>

This year's major additions are:

Capital Improvements Programs	\$ 2,236,455
Equipment Purchases	103,691
Land Purchases	<u>42,996</u>
Total Additions	<u>\$ 2,383,142</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$4,070,000 in debt (bonds) outstanding compared to \$4,225,000 last year, a \$185,000 decrease (debt retirement). No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	2007	2006
Refinance of Construction and Acquisition	\$ 4,070,000	\$ 4,255,000
Less: Current Portion	(195,000)	(185,000)
Total Outstanding Debt	\$ 3,875,000	\$ 4,070,000

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>June 30, 2007</u>			<u>June 30, 2006</u>		
	<u>Primary</u>	<u>Component</u>		<u>Primary</u>	<u>Component</u>	
	<u>Government</u>	<u>Unit</u>		<u>Government</u>	<u>Unit</u>	
	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation	Total (Memorandum Only)	Lorain Metropolitan Housing Authority	Lorain County Elderly Housing Corporation	Total (Memorandum Only)
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and Equivalents:						
Cash and Cash Equivalents	\$ 2,115,551	\$ 84,824	\$ 2,200,375	\$ 486,103	\$ 51,102	\$ 537,205
Cash - Restricted	83,649	0	83,649	66,286	0	66,286
Cash - Tenant Security Deposits	<u>153,182</u>	<u>44,655</u>	<u>197,837</u>	<u>147,027</u>	<u>42,852</u>	<u>189,879</u>
Total Cash and Cash Equivalents	<u>2,352,382</u>	<u>129,479</u>	<u>2,481,861</u>	<u>699,416</u>	<u>93,954</u>	<u>793,370</u>
Accounts and Notes Receivable:						
HUD - Other Projects	178,001	0	178,001	351,175	0	351,175
Miscellaneous	82,687	0	82,687	2,043	9,745	11,788
Tenants, Net	71,865	2,373	74,238	67,067	5,566	72,633
Fraud Recovery Receivable	169,658	688	170,346	113,783	2,818	116,601
Accrued Interest Receivable	<u>138,546</u>	<u>50,066</u>	<u>188,612</u>	<u>90,894</u>	<u>29,660</u>	<u>120,554</u>
Total Accounts and Notes Receivable	<u>640,757</u>	<u>53,127</u>	<u>693,884</u>	<u>624,962</u>	<u>47,789</u>	<u>672,751</u>
Other Current Assets:						
Investments - Unrestricted	5,856,000	2,163,000	8,019,000	7,026,000	2,067,000	9,093,000
Investments - Restricted	0	970,490	970,490	0	863,754	863,754
Inventories, Net	254,059	0	254,059	249,177	0	249,177
Prepaid Expenses and Other Assets	107,514	18,652	126,166	29,993	14,562	44,555
Due from Component Unit	<u>54,779</u>	<u>0</u>	<u>54,779</u>	<u>18,052</u>	<u>0</u>	<u>18,052</u>
Total Other Current Assets	<u>6,272,352</u>	<u>3,152,142</u>	<u>9,424,494</u>	<u>7,323,222</u>	<u>2,945,316</u>	<u>10,268,538</u>
Total Current Assets	<u>9,265,491</u>	<u>3,334,748</u>	<u>12,600,239</u>	<u>8,647,600</u>	<u>3,087,059</u>	<u>11,734,659</u>
<u>Non-Current Assets</u>						
<u>Capital Assets</u>						
Capital Assets Non-Depreciable	5,242,184	570,939	5,813,123	5,419,944	647,489	6,067,433
Capital Assets, Net of Depreciation	<u>24,980,760</u>	<u>2,972,520</u>	<u>27,953,280</u>	<u>25,196,956</u>	<u>3,080,143</u>	<u>28,277,099</u>
Total Non-Current Assets	<u>30,222,944</u>	<u>3,543,459</u>	<u>33,766,403</u>	<u>30,616,900</u>	<u>3,727,632</u>	<u>34,344,532</u>
TOTAL ASSETS	<u>\$39,488,435</u>	<u>\$ 6,878,207</u>	<u>\$46,366,642</u>	<u>\$39,264,500</u>	<u>\$ 6,814,691</u>	<u>\$ 46,079,191</u>

See notes to the financial statements

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2007
(CONTINUED)

	June 30, 2007			June 30, 2006		
	Primary	Component		Primary	Component	
	Government	Unit		Government	Unit	
	Lorain	Lorain County		Lorain	Lorain County	
Metropolitan Housing Authority	Elderly Housing Corporation	Total (Memorandum Only)	Metropolitan Housing Authority	Elderly Housing Corporation	Total (Memorandum Only)	
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 169,403	\$ 18,041	\$ 187,444	\$ 315,145	\$ 7,864	\$ 323,009
Accrued Wages and Payroll Taxes	78,713	6,070	84,783	63,932	5,384	69,316
Accrued Compensated Absences	250,728	13,589	264,317	218,580	14,991	233,571
Accrued Interest Payable	0	118,920	118,920	0	124,326	124,326
Accounts Payable - HUD PHA Programs	12,073	0	12,073	313,862	0	313,862
Accounts Payable - PILOT and Other	0	30,260	30,260	0	26,935	26,935
Tenant Security Deposits	140,337	40,874	181,211	140,442	40,190	180,632
Current Portion of Long-Term Debt	0	195,000	195,000	0	185,000	185,000
Other Current Liabilities	51,079	75	51,154	42,303	29,704	72,007
Due to Primary Government	0	54,779	54,779	0	18,052	18,052
Total Current Liabilities	<u>702,333</u>	<u>477,608</u>	<u>1,179,941</u>	<u>1,094,264</u>	<u>452,446</u>	<u>1,546,710</u>
Non-Current Liabilities						
Long-Term Debt, Net of Current Portion	0	3,875,000	3,875,000	0	4,070,000	4,070,000
Accrued Compensated Absences	177,466	12,730	190,196	154,095	16,311	170,406
Non-Current Liabilities - FSS Escrow and Others	208,657	0	208,657	144,196	0	144,196
Total Non-Current Liabilities	<u>386,123</u>	<u>3,887,730</u>	<u>4,273,853</u>	<u>298,291</u>	<u>4,086,311</u>	<u>4,384,602</u>
TOTAL LIABILITIES	<u>1,088,456</u>	<u>4,365,338</u>	<u>5,453,794</u>	<u>1,392,555</u>	<u>4,538,757</u>	<u>5,931,312</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	30,222,944	488,554	30,711,498	30,616,900	486,138	31,103,038
Temporarily Restricted Net Assets	83,649	970,490	1,054,139	66,286	863,754	930,040
Unrestricted Net Assets	8,093,386	1,053,825	9,147,211	7,188,759	926,042	8,114,801
TOTAL NET ASSETS	<u>38,399,979</u>	<u>2,512,869</u>	<u>40,912,848</u>	<u>37,871,945</u>	<u>2,275,934</u>	<u>40,147,879</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$39,488,435</u>	<u>\$ 6,878,207</u>	<u>\$46,366,642</u>	<u>\$ 39,264,500</u>	<u>\$ 6,814,691</u>	<u>\$ 46,079,191</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	June 30, 2007			June 30, 2006		
	Primary	Component		Primary	Component	
	Government	Unit		Government	Unit	
	Lorain	Lorain County		Lorain	Lorain County	
	Metropolitan	Elderly	Total	Metropolitan	Elderly	Total
	Housing	Housing	(Memorandum	Housing	Housing	(Memorandum
	Authority	Corporation	Only)	Authority	Corporation	Only)
Operating Revenue						
Net Tenant Rental Revenue	\$ 1,522,027	\$ 527,949	\$ 2,049,976	\$ 1,642,391	\$ 494,350	\$ 2,136,741
Tenant Revenue - Other	173,033	7,012	180,045	147,321	7,523	154,844
	<u>1,695,060</u>	<u>534,961</u>	<u>2,230,021</u>	<u>1,789,712</u>	<u>501,873</u>	<u>2,291,585</u>
HUD PHA Operating Grants	24,639,009	861,966	25,500,975	23,540,674	864,199	24,404,873
Fraud Recovery Receivable	105,842	0	105,842	45,951	0	45,951
Other Revenue	156,850	9,684	166,534	134,881	8,168	143,049
Gain (loss) on capital assets	1,026	0	1,026	1,587	0	1,587
Total Operating Revenues	<u>26,597,787</u>	<u>1,406,611</u>	<u>28,004,398</u>	<u>25,512,805</u>	<u>1,374,240</u>	<u>26,887,045</u>
Operating Expenses						
Administrative	3,909,515	339,099	4,248,614	3,722,050	343,525	4,065,575
Tenant Services	158,775	0	158,775	134,428	847	135,275
Utilities	1,507,287	214,249	1,721,536	1,590,195	216,618	1,806,813
Ordinary Maintenance and Operation	2,752,842	225,517	2,978,359	2,356,877	219,531	2,576,408
Protective Services	350,585	2,813	353,398	379,687	0	379,687
Insurance Premiums	339,475	34,183	373,658	290,866	29,780	320,646
Other General Expenses	0	0	0	11	0	11
Payments in Lieu of Taxes	2,476	32,130	34,606	1,526	26,935	28,461
Bad Debt	123,469	9,890	133,359	91,425	9,834	101,259
Severance Expense	10,964	0	10,964	13,136	0	13,136
Extraordinary Maintenance	90,436	0	90,436	78,960	0	78,960
Casualty Losses - Non-Capitalized	62,403	0	62,403	6,795	0	6,795
Housing Assistance Payments	16,338,261	0	16,338,261	16,430,265	0	16,430,265
Depreciation Expense	2,748,636	212,635	2,961,271	2,664,966	207,216	2,872,182
Total Operating Expenses	<u>28,395,124</u>	<u>1,070,516</u>	<u>29,465,640</u>	<u>27,761,187</u>	<u>1,054,286</u>	<u>28,815,473</u>
Operating Income	<u>(1,797,337)</u>	<u>336,095</u>	<u>(1,461,242)</u>	<u>(2,248,382)</u>	<u>319,954</u>	<u>(1,928,428)</u>
Non-Operating Revenues (Expenses)						
Investment Income - Unrestricted	354,040	122,499	476,539	277,075	94,971	372,046
Investment Income - Temporarily Restricted	74,082	38,295	112,377	41,195	28,915	70,110
Interest Expense	0	(259,954)	(259,954)	0	(271,722)	(271,722)
Total Non-Operating Revenues (Expenses)	<u>428,122</u>	<u>(99,160)</u>	<u>328,962</u>	<u>318,270</u>	<u>(147,836)</u>	<u>170,434</u>
Income (Loss) Before Capital Contributions and Extraordinary Item	(1,369,215)	236,935	(1,132,280)	(1,930,112)	172,118	(1,757,994)
Capital Contributions	1,913,834	0	1,913,834	2,429,884	0	2,429,884
Special Item	(16,585)	0	(16,585)	500,511	0	500,511
Change in Net Assets	528,034	236,935	764,969	1,000,283	172,118	1,172,401
Total Net Assets - Beginning	<u>37,871,945</u>	<u>2,275,934</u>	<u>40,147,879</u>	<u>36,871,662</u>	<u>2,103,816</u>	<u>38,975,478</u>
Total Net Assets - Ending	<u>\$38,399,979</u>	<u>\$ 2,512,869</u>	<u>\$40,912,848</u>	<u>\$37,871,945</u>	<u>\$ 2,275,934</u>	<u>\$40,147,879</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	June 30, 2007			June 30, 2006		
	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)	Primary Government Lorain Metropolitan Housing Authority	Component Unit Lorain County Elderly Housing Corporation	Total (Memorandum Only)
Cash Flows from Operating Activities						
Tenant Revenue Received	\$ 1,731,208	\$ 540,284	\$ 2,271,492	\$ 1,755,867	\$ 500,215	\$ 2,256,082
Other Revenue Received	86,148	20,113	106,261	264,294	3,301	267,595
General and Administrative Expenses Paid	(26,049,470)	(882,395)	(26,931,865)	(25,350,666)	(820,524)	(26,171,190)
Net Cash Provided (Used) by Operating Activities	(24,232,114)	(321,998)	(24,554,112)	(23,330,505)	(317,008)	(23,647,513)
Cash Flows from Non-Capital Financing Activities						
Government Operating Grants Received	24,630,869	861,966	25,492,835	23,542,675	864,199	24,406,874
Increases/Decreases in Due To/ Due From Related Activity	(36,727)	36,727	0	54,783	(54,783)	0
Net Cash Provided (Used) by Financing Activities	24,594,142	898,693	25,492,835	23,597,458	809,416	24,406,874
Cash Flows from Capital and Related Financing Activities						
Government Capital Grants Received	2,095,148	0	2,095,148	2,648,466	0	2,648,466
Purchases of Land, Structures, and Equipment	(2,354,680)	(28,462)	(2,383,142)	(2,560,652)	(196,562)	(2,757,214)
Payments to Retire Long-Term Debt	0	(185,000)	(185,000)	0	(175,000)	(175,000)
Interest Paid	0	(265,360)	(265,360)	0	(276,834)	(276,834)
Net Cash Provided (Used) by Capital and Related Financing Activities	(259,532)	(478,822)	(738,354)	87,814	(648,396)	(560,582)
Cash Flows from Investing Activities						
Purchase from Investments	(13,073,000)	(5,591,586)	(18,664,586)	(14,600,000)	(6,074,712)	(20,674,712)
Proceeds from Sale of Investments	14,243,000	5,388,850	19,631,850	13,408,000	6,026,038	19,434,038
Interest Received	380,470	140,388	520,858	283,087	112,342	395,429
Net Cash Provided (Used) by Investing Activities	1,550,470	(62,348)	1,488,122	(908,913)	63,668	(845,245)
Increase (Decrease) in Cash and Cash Equivalents	1,652,966	35,525	1,688,491	(554,146)	(92,320)	(646,466)
Cash and Cash Equivalents - Beginning of Year	699,416	93,954	793,370	1,253,562	186,274	1,439,836
Cash and Cash Equivalents - End of Year	\$ 2,352,382	\$ 129,479	\$ 2,481,861	\$ 699,416	\$ 93,954	\$ 793,370
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Change in Net Assets	\$ 528,034	\$ 236,935	\$ 764,969	\$ 1,000,284	\$ 172,118	\$ 1,172,402
Adjustments to Change in Net Assets:						
HUD PHA Operating Grants	(24,639,009)	(861,966)	(25,500,975)	(23,540,674)	(864,199)	(24,404,873)
Capital Grants	(1,913,834)	0	(1,913,834)	(2,429,884)	0	(2,429,884)
Interest Income/Expense	(428,122)	99,160	(328,962)	(318,270)	147,836	(170,434)
Add Back Non-Cash Items:						
Depreciation Expense	2,748,636	212,635	2,961,271	2,664,966	207,216	2,872,182
Decrease (Increase) in Operating Assets:						
Accounts Receivable	(141,319)	15,088	(126,231)	45,777	(6,679)	39,098
Prepaid Expenses	(77,519)	(4,090)	(81,609)	(831)	247	(584)
Inventory	(4,882)	0	(4,882)	(31,741)	0	(31,741)
Increase (Decrease) in Operating Liabilities:						
Accounts Payable	(447,531)	10,177	(437,354)	(331,667)	3,597	(328,070)
Accrued Liabilities	143,432	(33,242)	110,190	(370,101)	20,760	(349,341)
Other Liabilities	0	3,325	3,325	(18,364)	2,096	(16,268)
Net Cash Used by Operating Activities	\$(24,232,114)	\$(321,978)	\$(24,554,092)	\$(23,330,505)	\$(317,008)	\$(23,647,513)

See notes to the financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

NOTE 1: DESCRIPTION OF THE ENTITY

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

Reporting Entity

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

Lorain Metropolitan Housing Authority

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

In addition, LMHA participates in the Section 8 - Housing Assistance Payments Program (C-10009). Under the Section 8 Housing Program, LMHA provides assistance to low and moderate income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under these programs, LMHA enters into housing assistance payments (“HAP”) contracts with eligible landlords. Under a HAP contract, landlords are provided with subsidies for the difference between the contract rent and the amount payable by the Section 8 tenants.

LMHA owns and operates a seven-unit apartment complex (“Complex”) with an attached car wash. LMHA does not receive federal financial assistance to operate this Complex. Revenue received from the Complex is recorded in business activities in the supplemental schedules. Management fees earned by LMHA are also recorded in business activities.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

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

Component Unit

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

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

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

Joint Venture

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

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

Basis of Accounting

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

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

Basis of Accounting (Continued)

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts - Bad Debt Expenses

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

Fraud Recovery Receivable

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

Investments

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

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

Investments - Restricted

Restricted investments for LMHA represent amounts received from tenants for security deposits and FSS program escrow accounts.

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

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

Inventory

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

Land, Property, and Equipment

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

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

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

Compensated Absences

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

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

Compensated Absences (Continued)

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

Interprogram Due To and Due From Other Entities

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

Use of Estimates

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

Budgetary Accounting

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

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

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

Deposits (Continued)

carrying amount of both LMHA's and LCEHC's deposits, including restricted family self-sufficiency accounts and tenant security deposits, was \$2,481,861 and \$793,370 at June 30, 2007 and 2006, respectively, and the bank balance was \$2,703,229 and \$1,117,990 at June 30, 2007 and 2006, respectively. The difference represents outstanding checks and other in-transit transactions of the bank balance. In each balance, \$100,000 was covered by federal depository insurance and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

Investments

LMHA has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet LMHA's cash flow needs and return on investment are secondary goals of the policy. LMHA does not purchase any form of derivative. The combined carrying amount of both LMHA's and LCEHC's investments was \$8,019,000 and \$9,093,000 at June 30, 2007 and 2006, respectively, and the bank balance was the same. The investments are held in certificates of deposit greater than 3 months but less than 1 year maturity.

Trust Funds

In accordance with LCEHC contractual provisions, the JP Morgan Trust funds are restricted for designated purposes related to servicing of the debt associated with LCEHC. The carrying amount of these funds was \$970,490 and \$863,754 at June 30, 2007 and 2006, respectively.

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

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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

	June 30, 2007		
	Primary Government	Component Unit	Total
<u>Cash and Investments</u>			
Unrestricted Cash and Cash Equivalents	\$ 2,115,551	\$ 84,824	\$ 2,200,375
Unrestricted Investments	5,856,000	2,163,000	8,019,000
Restricted Cash and Investment - Tenant Security Deposits and FSS Deposits	236,831	44,655	281,486
Restricted Investments - Trustee and Endowment Fund	0	970,490	970,490
Total Cash and Investments	\$ 8,208,382	\$ 3,262,969	\$11,471,351
Carrying Amount of Deposits	\$ 2,352,382	\$ 129,479	\$ 2,481,861
Carrying Amount of Investments	5,856,000	3,133,490	8,989,490
Total	\$ 8,208,382	\$ 3,262,969	\$11,471,351
	June 30, 2006		
	Primary Government	Component Unit	Total
<u>Cash and Investments</u>			
Unrestricted Cash and Cash Equivalents	\$ 486,103	\$ 51,102	\$ 537,205
Unrestricted Investments	7,026,000	2,067,000	9,093,000
Restricted Cash and Investment - Tenant Security Deposits and FSS Deposits	213,313	42,852	256,165
Restricted Investments - Trustee and Endowment Fund	0	863,754	863,754
Total Cash and Investments	\$ 7,725,416	\$ 3,024,708	\$10,750,124
Carrying Amount of Deposits	\$ 699,416	\$ 93,954	\$ 793,370
Carrying Amount of Investments	7,026,000	2,930,754	9,956,754
Total	\$ 7,725,416	\$ 3,024,708	\$10,750,124

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

NOTE 4: RESTRICTED CASH AND RESTRICTED INVESTMENTS AND RESERVES

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

	June 30,	
	2007	2006
<u>Lorain Metropolitan Housing Authority</u>		
<u>Business Activities</u>		
Other Non-HUD Reserves	\$ 4,215	\$ 4,074
 <u>Low-Rent Public Housing</u>		
Tenant Security Deposits	148,967	142,953
Family Self-Sufficiency Escrow Deposits	21,865	13,912
 <u>Section 8 Program</u>		
Family Self-Sufficiency Escrow Deposits	61,784	52,374
Total Lorain Metropolitan Housing Authority	\$ 236,831	\$ 213,313
 <u>Lorain County Elderly Housing Corporation</u>		
Tenant Security Deposits	\$ 44,655	\$ 42,852
Trustee Reserves as Follows:		
Current Revenue Fund	21,000	21,000
Cumulative Reserve Fund	166,791	83,123
Replacement Reserve Fund	155,678	152,290
Tax and Insurance Fund	31,714	21,392
Management Account	11,447	6,340
Interest Account	120,483	125,398
Principal Account	194,699	185,532
Debt Service Fund	268,678	268,679
Total Lorain County Elderly Housing Corporation	\$ 1,015,145	\$ 906,606

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

Lorain Metropolitan Housing Authority

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,636,058	\$ 37,800	\$ 0	\$ 4,673,858
Construction in Progress	<u>783,886</u>	<u>(215,560)</u>	<u>0</u>	<u>568,326</u>
Total Capital Assets Not Being Depreciated	<u>5,419,944</u>	<u>(177,760)</u>	<u>0</u>	<u>5,242,184</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	60,752,923	2,434,891	0	63,187,814
Office Equipment	776,309	72,503	(39,136)	809,676
Maintenance Equipment	253,242	1,193	(2,870)	251,565
Vehicles	<u>585,157</u>	<u>23,853</u>	<u>(18,041)</u>	<u>590,969</u>
Total Capital Assets Being Depreciated	<u>62,367,631</u>	<u>2,532,440</u>	<u>(60,047)</u>	<u>64,840,024</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(35,843,825)	(2,650,707)	0	(38,494,532)
Office Equipment	(579,934)	(45,622)	39,136	(586,420)
Maintenance Equipment	(204,445)	(19,736)	2,870	(221,311)
Vehicles	<u>(542,471)</u>	<u>(32,571)</u>	<u>18,041</u>	<u>(557,001)</u>
Total Accumulated Depreciation	<u>(37,170,675)</u>	<u>(2,748,636)</u>	<u>60,047</u>	<u>(39,859,264)</u>
Total Capital Assets Being Depreciated, Net	25,196,956	(216,196)	0	24,980,760
Capital Assets, Net	<u>\$30,616,900</u>	<u>\$ (393,956)</u>	<u>\$ 0</u>	<u>\$ 30,222,944</u>

Lorain County Elderly Housing Corporation

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 551,812	\$ 5,196	\$ 0	\$ 557,008
Construction in Progress	<u>95,677</u>	<u>(81,746)</u>	<u>0</u>	<u>13,931</u>
Total Capital Assets Not Being Depreciated	<u>647,489</u>	<u>(76,550)</u>	<u>0</u>	<u>570,939</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	7,012,719	98,870	0	7,111,589
Office Equipment	25,172	8,473	0	33,645
Maintenance Equipment	<u>22,911</u>	<u>(2,331)</u>	<u>0</u>	<u>20,580</u>
Total Capital Assets Being Depreciated	<u>7,060,802</u>	<u>105,012</u>	<u>0</u>	<u>7,165,814</u>
<i>Less Accumulated Depreciated</i>				
Buildings	(3,947,139)	(209,441)	0	(4,156,580)
Office Equipment	(23,946)	(1,959)	0	(25,905)
Maintenance Equipment	<u>(9,574)</u>	<u>(1,235)</u>	<u>0</u>	<u>(10,809)</u>
Total Accumulated Depreciation	<u>(3,980,659)</u>	<u>(212,635)</u>	<u>0</u>	<u>(4,193,294)</u>
Total Capital Assets Being Depreciated, Net	3,080,143	(107,623)	0	2,972,520
Capital Assets, Net	<u>\$ 3,727,632</u>	<u>\$ (184,173)</u>	<u>\$ 0</u>	<u>\$ 3,543,459</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

Lorain County Elderly Housing Corporation Bonds

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

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

Lorain County Elderly Housing Corporation Bonds (Continued)

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

Fiscal <u>Year</u>	Principal <u>Amount</u>	Interest <u>Amount</u>	Total <u>Amount</u>	Interest <u>Rate (%)</u>	Yield (%)
2008	\$ 195,000	\$ 259,463	\$ 454,463	6.375%	6.454%
2009	210,000	247,031	457,031	6.375%	6.454%
2010	225,000	233,644	458,644	6.375%	6.454%
2011	240,000	219,300	459,300	6.375%	6.454%
2012	255,000	204,000	459,000	6.375%	6.454%
2013-2017	1,530,000	755,756	2,285,756	6.375%	6.454%
2018-2020	<u>1,415,000</u>	<u>198,263</u>	<u>1,613,263</u>	6.375%	6.454%
Totals	<u>\$ 4,070,000</u>	<u>\$ 2,117,457</u>	<u>\$ 6,187,457</u>		

A reconciliation of long-term liabilities are shown below:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Balance at July 1, 2005	\$ 0	\$ 4,255,000	\$ 4,255,000
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>185,000</u>	<u>185,000</u>
Balance at June 30, 2006	<u>0</u>	<u>4,070,000</u>	<u>4,070,000</u>
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>195,000</u>	<u>195,000</u>
Balance at June 30, 2007	<u>\$ 0</u>	<u>\$ 3,875,000</u>	<u>\$ 3,875,000</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

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

Short Term Debt

LMHA has not engaged in short-term borrowing as characterized by GASB Statement No. 38 and therefore has no short-term debt obligations for the years ended June 30, 2007 and 2006, respectively.

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

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

For the period ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries; the percent of contributions changed to 9.5 percent effective January 1, 2007. LMHA's contribution rate for pension benefits was 9.2 percent of covered payroll through December 31, 2005; effective January 1, 2006, the percent decreased to 8.85 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

LMHA's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2007, 2006, and 2005, were \$334,937, \$311,678, and \$301,589, respectively; 100 percent has been contributed for 2007, 2006, and 2005. Contributions to the member-directed plan for the years ended June 30, 2007, 2006, and 2005, were \$5,304, \$4,102, and \$1,188, respectively.

Lorain County Elderly Housing Corporation's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2007, 2006, and 2005, were \$35,593, \$37,500, and \$29,726, respectively.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the traditional and combined plans; however, health care benefits are not statutorily guaranteed. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent (13.85 for 2007) of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care in 2006 and 5.00 percent effective January 1, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent, based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 percent to 6 percent from the next 9 years. Health care costs were assumed to increase 4 percent annually.

In subsequent years (10 and beyond) all investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

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

Ohio Public Employees Retirement System (Continued)

At December 31, 2006, the number of active contributing participants in the traditional and combined plans totaled 369,214. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$147,015 for LMHA and \$11,006 for Lorain County Elderly Housing Corporation. The actual contributions and the actuarially required contributions amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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

NOTE 9: **RISK MANAGEMENT**

LMHA and its component unit LCEHC are exposed to various risks of loss related to torts and other legal actions; theft of, damage to, and destruction of assets; error and omissions, injuries to employees and tenants, and natural disasters. LMHA has contracted with the Housing Authority Property Insurance, Inc. (HAPI) for property liability insurance and outside vendors for employee and Board of Commissioner's fidelity insurance, auto and vehicle insurance, and office equipment insurance. Settlement claims have not exceeded this coverage in any of the past 3 years. There has been no significant reduction in coverage from the previous fiscal year.

NOTE 10: **NON-RECURRING ITEMS**

Proceeds from Insurance

During the year ended June 30, 2007, LMHA received insurance proceeds as a result of property damage.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

NOTE 11: SPECIAL ITEMS

Repositioning of Housing Choice Voucher Accounts Payable Due HUD and Budget Authority to Equity - Fiscal Year 2006

On January 11, 2006 and January 13, 2006, Public and Indian Housing Notices 2006-03 and 2006-05, respectively, were issued requiring that excess budget authority disbursed to public housing authorities become part of their undesignated fund balance effective January 2005. The preceding created a one time special item in the amount of \$500,511, which represents excess budget authority disbursed for the period January 2005 through June 2005.

Recapture of Housing Choice Voucher Accumulated Administrative Fee Reserve - Fiscal Year 2007

During the year ended June 30, 2003, the fiscal year 2003 Omnibus Appropriations bill required the recapture of any accumulated administrative fee reserve in excess of 105 percent of the fiscal year 2002 administrative fee earned as of January 31, 2003. An extraordinary expense and liability to HUD was recognized in fiscal year 2003 for \$1,366,416. On August 5, 2005 a revision to this calculation was released in PIH notice 2005-30 and resulted in a reduction of \$62,782 (recognized in Fiscal Year 2005). On November 9, 2006 a revision to the previous calculations was released and resulted in an increase of \$38,864. All amounts have been recaptured as of June 30, 2007.

Final Settlement Calculation of Excess Program Reserves as of December 31, 2004

As a result of the PIH Notice 2006-03, the calculation in fiscal year 2007 to reconcile calendar year funding through December 31, 2004 resulted in an adjustment of \$22,279 during fiscal year 2007.

The special items in fiscal year 2007 are summarized below:

PIH Notice 2005-30 Administration Fee Recovery	\$ (38,864)
PIH Notice 2006-03 Program Reserve Adjustment	<u>22,279</u>
Total	<u>\$ (16,585)</u>

NOTE 12: CONCENTRATIONS

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)**

NOTE 13: **COMMITMENTS AND CONTINGENCIES**

Grants

LMHA received financial assistance from a federal agency in the form of grants. The disbursement of funds received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of LMHA. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of LMHA at June 30, 2007 and 2006, respectively.

Contingencies

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
<i>Low Income Housing Assistance Programs</i>		
Section 8 Housing Choice Voucher	14.871	\$ 17,745,324
Public Housing - Operating Subsidy	14.850a	4,599,537
Public Housing Capital Fund Program	14.872	3,671,730
Shelter Plus Care	14.238	276,718
Section 8 New Construction and Substantial Rehabilitation Program - Concord Manor (passed through to subrecipient)	14.182	222,287
Resident Opportunity and Supportive Services Grant	14.870	<u>37,247</u>
Total U.S. Department of Housing and Urban Development		<u>26,552,843</u>
Total Federal Financial Assistance		<u>\$26,552,843</u>

See Notes to the Schedule of Expenditures of Federal Awards

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1: **PRESENTATION**

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

NOTE 2: **COMPONENT UNIT**

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

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development Section 8 New Construction</i>	14.182	<u>\$ 861,966</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
JUNE 30, 2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
111	Cash - Unrestricted	\$139,382	\$0	\$0	\$208,810	\$0	\$1,767,359	\$0	\$84,824	\$2,200,375
115	Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0	\$21,865	\$0	\$61,784	\$0	\$0	\$83,649
114	Cash - Tenant Security Deposits	\$4,215	\$0	\$0	\$148,967	\$0	\$0	\$0	\$44,655	\$197,837
100	Total Cash	\$143,597	\$0	\$0	\$379,642	\$0	\$1,829,143	\$0	\$129,479	\$2,481,861
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$5,268	\$0	\$9,852	\$0	\$162,881	\$0	\$178,001
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$74,836	\$0	\$7,851	\$0	\$0	\$82,687
126	Accounts Receivable - Tenants - Dwelling Rents	\$1	\$0	\$0	\$74,819	\$0	\$0	\$0	\$2,562	\$77,382
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	(\$2,955)	\$0	\$0	\$0	(\$189)	(\$3,144)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$37,947	\$0	\$132,695	\$0	\$714	\$171,356
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	(\$984)	\$0	\$0	\$0	(\$26)	(\$1,010)
129	Accrued Interest Receivable	\$7,890	\$0	\$0	\$74,917	\$0	\$55,739	\$0	\$50,066	\$188,612
120	Total Receivables, net of allowances for doubtful accounts	\$7,891	\$0	\$5,268	\$258,580	\$9,852	\$196,285	\$162,881	\$53,127	\$693,884
131	Investments - Unrestricted	\$712,000	\$0	\$0	\$2,813,000	\$0	\$2,331,000	\$0	\$2,163,000	\$8,019,000
132	Investments Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$970,490	\$970,490
142	Prepaid Expenses and Other Assets	\$187	\$0	\$0	\$85,678	\$0	\$21,649	\$0	\$18,652	\$126,166
143	Inventories	\$0	\$0	\$0	\$254,894	\$0	\$0	\$0	\$0	\$254,894
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	(\$835)	\$0	\$0	\$0	\$0	(\$835)
144	Interprogram Due From	\$207,755	\$12,072	\$0	\$299,271	\$0	\$0	\$1	\$0	\$519,099
150	Total Current Assets	\$1,071,430	\$12,072	\$5,268	\$4,090,230	\$9,852	\$4,378,077	\$162,882	\$3,334,748	\$13,064,559
161	Land	\$71,100	\$0	\$0	\$4,533,358	\$0	\$69,400	\$0	\$557,008	\$5,230,866
162	Buildings	\$311,991	\$0	\$0	\$56,438,562	\$0	\$848,002	\$5,589,259	\$7,111,590	\$70,299,404
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$842,533	\$0	\$0	\$0	\$20,580	\$863,113
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$545,470	\$0	\$205,865	\$58,342	\$33,644	\$843,321
166	Accumulated Depreciation	(\$65,572)	\$0	\$0	(\$38,811,445)	\$0	(\$429,170)	(\$553,077)	(\$4,193,294)	(\$44,052,558)
167	Construction In Progress	\$0	\$0	\$0	\$2,780	\$0	\$0	\$565,546	\$13,931	\$582,257
160	Total Fixed Assets, Net of Accumulated Depreciation	\$317,519	\$0	\$0	\$23,551,258	\$0	\$694,097	\$5,660,070	\$3,543,459	\$33,766,403
180	Total Non-Current Assets	\$317,519	\$0	\$0	\$23,551,258	\$0	\$694,097	\$5,660,070	\$3,543,459	\$33,766,403
190	Total Assets	\$1,388,949	\$12,072	\$5,268	\$27,641,488	\$9,852	\$5,072,174	\$5,822,952	\$6,878,207	\$46,830,962

LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS - (CONTINUED)
JUNE 30, 2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
312	Accounts Payable <= 90 Days	\$675	\$0	\$2,166	\$123,558	\$0	\$5,405	\$37,599	\$18,041	\$187,444
321	Accrued Wage/Payroll Taxes Payable	\$14	\$0	\$0	\$52,900	\$551	\$20,726	\$4,522	\$6,070	\$84,783
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$0	\$163,908	\$4,937	\$59,746	\$22,137	\$13,589	\$264,317
325	Accrued Interest Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$118,920	\$118,920
331	Accounts Payable - HUD PHA Programs	\$0	\$12,072	\$0	\$0	\$0	\$0	\$1	\$0	\$12,073
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,260	\$30,260
341	Tenant Security Deposits	\$2,843	\$0	\$0	\$137,494	\$0	\$0	\$0	\$40,874	\$181,211
343	Current Portion of Long-term Debt - Capital Projects/Mortgage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$195,000	\$195,000
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75	\$75
346	Accrued Liabilities - Other	\$0	\$0	\$0	\$6,874	\$0	\$0	\$44,205	\$0	\$51,079
347	Interprogram Due To	\$303,369	\$0	\$3,102	\$0	\$3,752	\$123,301	\$30,796	\$54,779	\$519,099
310	Total Current Liabilities	\$306,901	\$12,072	\$5,268	\$484,734	\$9,240	\$209,178	\$139,260	\$477,608	\$1,644,261
351	Long-term Debt, Net of Current - Capital Projects/Mortgage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,875,000	\$3,875,000
354	Accrued Compensated Absences - Non Current	\$0	\$0	\$0	\$97,063	\$612	\$56,169	\$23,622	\$12,730	\$190,196
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$12,947	\$0	\$195,710	\$0	\$0	\$208,657
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$110,010	\$612	\$251,879	\$23,622	\$3,887,730	\$4,273,853
300	Total Liabilities	\$306,901	\$12,072	\$5,268	\$594,744	\$9,852	\$461,057	\$162,882	\$4,365,338	\$5,918,114
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$317,519	\$0	\$0	\$23,551,258	\$0	\$694,097	\$5,660,070	\$488,554	\$30,711,498
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$21,865	\$0	\$61,784	\$0	\$970,490	\$1,054,139
512.1	Unrestricted Net Assets	\$764,529	\$0	\$0	\$3,473,621	\$0	\$3,855,236	\$0	\$1,053,825	\$9,147,211
513	Total Equity/Net Assets	\$1,082,048	\$0	\$0	\$27,046,744	\$0	\$4,611,117	\$5,660,070	\$2,512,869	\$40,912,848
600	Total Liabilities and Equity/Net Assets	\$1,388,949	\$12,072	\$5,268	\$27,641,488	\$9,852	\$5,072,174	\$5,822,952	\$6,878,207	\$46,830,962

LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
JUNE 30, 2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
703	Net Tenant Rental Revenue	\$43,164	\$0	\$0	\$1,478,863	\$0	\$0	\$0	\$527,949	\$2,049,976
704	Tenant Revenue - Other	\$2,094	\$0	\$0	\$170,939	\$0	\$0	\$0	\$7,012	\$180,045
705	Total Tenant Revenue	\$45,258	\$0	\$0	\$1,649,802	\$0	\$0	\$0	\$534,961	\$2,230,021
706	HUD PHA Operating Grants	\$0	\$222,287	\$276,718	\$4,599,537	\$37,247	\$17,745,324	\$1,757,896	\$861,966	\$25,500,975
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$1,913,834	\$0	\$1,913,834
708	Other Government Grants	\$13,076	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13,076
711	Investment Income - Unrestricted	\$40,277	\$0	\$0	\$182,545	\$0	\$131,218	\$0	\$122,499	\$476,539
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$105,842	\$0	\$0	\$105,842
715	Other Revenue	\$33,846	\$0	\$0	\$102,285	\$0	\$7,643	\$0	\$9,684	\$153,458
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$626	\$0	\$400	\$0	\$0	\$1,026
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$74,082	\$0	\$38,295	\$112,377
700	Total Revenue	\$132,457	\$222,287	\$276,718	\$6,534,795	\$37,247	\$18,064,509	\$3,671,730	\$1,567,405	\$30,507,148
911	Administrative Salaries	\$0	\$0	\$0	\$1,245,456	\$0	\$922,760	\$200,600	\$219,383	\$2,588,199
912	Auditing Fees	\$0	\$0	\$0	\$10,126	\$0	\$13,285	\$0	\$5,760	\$29,171
913	Outside Management Fees	\$0	\$19,145	\$30,241	\$0	\$0	\$0	\$0	\$19,368	\$68,754
914	Compensated Absences	\$0	\$0	\$0	\$25,509	\$507	\$22,853	\$6,650	(\$4,983)	\$50,536
915	Employee Benefit Contributions - Administrative	\$0	\$0	\$0	\$455,513	\$0	\$403,018	\$71,183	\$59,943	\$989,657
916	Other Operating - Administrative	\$23,390	\$0	\$0	\$334,032	\$0	\$125,247	\$0	\$39,628	\$522,297
921	Tenant Services - Salaries	\$0	\$0	\$0	\$54,512	\$23,772	\$0	\$0	\$0	\$78,284
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$27,737	\$8,095	\$0	\$0	\$0	\$35,832
924	Tenant Services - Other	\$0	\$0	\$0	\$44,659	\$0	\$0	\$0	\$0	\$44,659
931	Water	\$694	\$0	\$0	\$266,486	\$0	\$198	\$0	\$14,322	\$281,700
932	Electricity	\$3,902	\$0	\$0	\$388,376	\$0	\$8,498	\$0	\$164,880	\$565,656
933	Gas	\$8,304	\$0	\$0	\$390,618	\$0	\$6,430	\$0	\$2,242	\$407,594
938	Other Utilities Expense	\$665	\$0	\$0	\$432,898	\$0	\$218	\$0	\$32,805	\$466,586
941	Ordinary Maintenance and Operations - Labor	\$2,637	\$0	\$0	\$995,886	\$0	\$0	\$0	\$39,522	\$1,038,045
942	Ordinary Maintenance and Operations - Materials and Other	\$4,094	\$0	\$0	\$383,163	\$0	\$9,706	\$107,870	\$44,853	\$549,686
943	Ordinary Maintenance and Operations - Contract Costs	\$8,281	\$0	\$0	\$751,457	\$0	\$34,851	\$0	\$126,615	\$921,204
945	Employee Benefit Contributions - Ordinary Maintenance	\$1,185	\$0	\$0	\$453,712	\$0	\$0	\$0	\$14,527	\$469,424
951	Protective Services - Labor	\$0	\$0	\$0	\$26,347	\$0	\$0	(\$429)	\$0	\$25,918
952	Protective Services - Other Contract Costs	\$0	\$0	\$0	\$293,856	\$0	\$0	\$22,408	\$2,813	\$319,077
953	Protective Services - Other	\$0	\$0	\$0	\$221	\$0	\$0	\$0	\$0	\$221
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$8,260	\$0	\$0	(\$77)	\$0	\$8,183
961	Insurance Premiums	\$1,601	\$0	\$0	\$303,742	\$0	\$34,132	\$0	\$34,183	\$373,658
962	Other General Expenses	\$4	\$0	\$0	\$0	\$0	\$0	(\$4)	\$0	\$0
963	Payments in Lieu of Taxes	\$295	\$0	\$0	\$2,181	\$0	\$0	\$0	\$32,130	\$34,606
964	Bad Debt - Tenant Rents	\$41	\$0	\$0	\$123,428	\$0	\$0	\$0	\$9,890	\$133,359
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$259,954	\$259,954
968	Severance Expense	\$0	\$0	\$0	\$10,964	\$0	\$0	\$0	\$0	\$10,964
969	Total Operating Expenses	\$55,093	\$19,145	\$30,241	\$7,029,139	\$32,374	\$1,581,196	\$408,201	\$1,117,835	\$10,273,224

LORAIN METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM (CONTINUED)
JUNE 30, 2007

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Total
970	Excess Operating Revenue over Operating Expenses	\$77,364	\$203,142	\$246,477	(\$494,344)	\$4,873	\$16,483,313	\$3,263,529	\$449,570	\$20,233,924
971	Extraordinary Maintenance	\$0	\$0	\$0	\$78,920	\$0	\$0	\$11,516	\$0	\$90,436
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$0	\$62,403	\$0	\$0	\$0	\$0	\$62,403
973	Housing Assistance Payments	\$11,887	\$203,142	\$246,476	\$0	\$0	\$15,876,756	\$0	\$0	\$16,338,261
974	Depreciation Expense	\$12,908	\$0	\$0	\$2,392,423	\$0	\$60,324	\$282,980	\$212,635	\$2,961,270
900	Total Expenses	\$79,888	\$222,287	\$276,717	\$9,562,885	\$32,374	\$17,518,276	\$702,697	\$1,330,470	\$29,725,594
1001	Operating Transfers In	\$0	\$0	\$0	\$1,338,178	\$0	\$0	\$0	\$0	\$1,338,178
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,338,178)	\$0	(\$1,338,178)
1007	Extraordinary Items (net gain/loss)	\$0	\$0	\$0	\$0	\$0	(\$16,585)	\$0	\$0	(\$16,585)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$1,338,178	\$0	(\$16,585)	(\$1,338,178)	\$0	(\$16,585)
1000	Excess (Deficiency) of Operating Revenue Over (Under)	\$52,569	\$0	\$1	(\$1,689,912)	\$4,873	\$529,648	\$1,630,855	\$236,935	\$764,969
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,029,479	\$0	(\$1)	\$26,912,914	(\$4,873)	\$4,081,469	\$5,852,957	\$2,275,934	\$40,147,879
1104	Prior Period Adjustments, Equity Transfers and Correction of	\$0	\$0	\$0	\$1,823,742	\$0	\$0	(\$1,823,742)	\$0	\$0
1120	Unit Months Available	84	600	780	17,369	0	32,628	0	2,400	53,861
1121	Number of Unit Months Leased	75	590	635	16,766	0	32,237	0	2,356	52,659
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$0	\$2,877,995	\$0	\$0	\$2,877,995
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$0	\$1,733,122	\$0	\$0	\$1,733,122

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF COMPLETED GRANTS/CERTIFICATES
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Description</u>	Note A OH16C20-7022 Shelter Plus Care Grant	Note B OH12RFS086A005 Ross Grant	Note C OH12P01250103 Capital Fund Grant	Note D OH12P01250203 Capital Fund Grant	Note E OH12P01250104 Capital Fund Grant
	Funds Approved - Latest Budget	\$ 488,100	\$ 35,532	\$ 2,458,158	\$ 495,920
Funds Advanced	290,326	32,091	2,458,158	495,920	2,836,820
Funds Expended	<u>290,326</u>	<u>32,091</u>	<u>2,458,158</u>	<u>495,920</u>	<u>2,836,820</u>
Difference between Funds Advanced and Funds Expended	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	Note F OH12R01250100 Replacement Housing Factor Grant	Note G OH12R01250101 Replacement Housing Factor Grant	Note H OH12R01250102 Replacement Housing Factor Grant	Note I OH12R01250103 Replacement Housing Factor Grant	Note J OH12R01250104 Replacement Housing Factor Grant
Funds Approved - Latest Budget	\$ 37,660	\$ 38,517	\$ 36,689	\$ 30,187	\$ 44,949
Funds Advanced	37,660	38,517	36,689	30,187	44,949
Funds Expended	<u>37,660</u>	<u>38,517</u>	<u>36,689</u>	<u>30,187</u>	<u>44,949</u>
Difference between Funds Advanced and Funds Expended	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note A: This Shelter Plus Care grant was completed by LMHA during fiscal year 2007. \$197,774 was not advanced or expended.

Note B: This Resident Opportunity and Self Sufficiency (ROSS) grant was completed by LMHA during fiscal year 2007. \$3,441 was not advanced or expended.

Note C-E: This Capital Fund grant was completed by LMHA during fiscal year 2007. All funds were advanced and expended.

Note F-J: This Replacement Housing Factor grant was completed by the LMHA during fiscal year 2007. All funds were advanced and expended.

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

Lorain Metropolitan Housing Authority (LMHA) had a total of 4,438 units under its management. See details below.

Management	Units Available	Average Number of Units Leased in Fiscal Year
Lorain Metropolitan Housing Authority		
Low Income Public Housing	1,447	1,397
Section 8 Vouchers	2,719	2,686
Shelter Plus Care	65	53
General Fund (not HUD funded)	7	6
Total Lorain Metropolitan Housing Authority	4,236	4,142
 Lorain County Elderly Housing Corporation		
Section 8 New Construction	200	196
 Total LMHA and LCEHC	4,438	4,338

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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
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2007, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

October 26, 2007

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

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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
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Lorain Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Lorain Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Lorain Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion of the Lorain Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, Lorain Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Lorain Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lorain Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lorain Metropolitan Housing Authority, Ohio's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

October 26, 2007

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2007(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list): Housing Choice Vouchers - CFDA #14.871	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$796,585 Type B: > all others
2007(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LORAIN METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2006.

LORAIN COUNTY ELDERLY HOUSING CORPORATION

AUDIT REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

LORAIN COUNTY ELDERLY HOUSING CORPORATION
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

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Lorain County Elderly Housing Corporation
Lorain, Ohio

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of the Lorain County Elderly Housing Corporation, Lorain, Ohio (the Corporation) (a nonprofit organization) as of June 30, 2007 and 2006, the related statements of activities, cash flows, and changes in net assets for the fiscal years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lorain County Elderly Housing Corporation, Lorain, Ohio as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

As reported in Note 1 to the financial statements for the fiscal year ended June 30, 2007, the Corporation revised its financial statement presentation to classify all net assets as unrestricted in accordance with the guidelines of FASB Statement No. 117.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2007 on our consideration of the Lorain County Elderly Housing Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

September 6, 2007

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 84,824	\$ 51,102
Cash Restricted for Tenant Security Deposits	44,655	42,852
Unrestricted Investments	2,163,000	2,067,000
Temporarily Restricted Investments	970,490	863,754
Accounts Receivable - HUD		
Accounts Receivable - Tenants, Net of Allowance of \$215 in 2007 and \$1,685 in 2006	3,061	8,384
Accounts Receivable - Miscellaneous	0	9,745
Accrued Interest Receivable	50,066	29,660
Prepaid Expense	18,652	14,562
Total Current Assets	3,334,748	3,087,059
<u>Noncurrent Assets</u>		
Land, Structures, and Equipment	7,736,753	7,708,289
Less: Accumulated Depreciation	(4,193,294)	(3,980,657)
Total Noncurrent Assets	3,543,459	3,727,632
TOTAL ASSETS	\$ 6,878,207	\$ 6,814,691
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 18,041	\$ 7,864
Accrued Wages and Fringe Benefits	6,070	5,384
Accrued Compensated Absences	13,589	14,991
Accrued Interest	118,920	124,326
Other Current Liabilities	75	29,704
Payment in Lieu of Taxes (PILOT)	30,260	26,935
Tenant Security Deposit Payable	40,874	40,190
Payable to LMHA	54,779	18,052
Bonds Payable - Current Portion	195,000	185,000
Total Current Liabilities	477,608	452,446
<u>Noncurrent Liabilities</u>		
Long-term Compensated Absences	12,730	16,311
Long-term Bonds Payable, Less Current Portion	3,875,000	4,070,000
Total Noncurrent Liabilities	3,887,730	4,086,311
TOTAL LIABILITIES	4,365,338	4,538,757
<u>Net Assets</u>		
Unrestricted	2,512,869	2,275,934
Total Net Assets	2,512,869	2,275,934
TOTAL LIABILITIES AND NET ASSETS	\$ 6,878,207	\$ 6,814,691

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Revenue		
Net Tenant Rental Revenue	\$ 527,949	\$ 494,350
Tenant Revenue - Other	7,012	7,523
Total Tenant Revenue	534,961	501,873
HUD PHA Operating Grants	861,966	864,199
Other Revenue	9,684	8,168
Total Revenue	1,406,611	1,374,240
<u>Operating Expenses</u>		
Administrative	339,099	343,525
Tenant Service	0	847
Utilities	214,249	216,618
Ordinary Maintenance and Operation	225,517	219,531
Protective Services	2,813	0
Insurance Premiums	34,183	29,780
Payment in Lieu of Taxes (PILOT)	32,130	26,935
Bad Debt (Recovery) - Tenant Rents	9,890	9,834
Interest Expense	259,954	271,722
Total Operating Expenses	1,117,835	1,118,792
Net Operating Income	288,776	255,448
<u>Other Revenues (Expenses)</u>		
Investment Income	160,794	123,886
Depreciation Expense	(212,635)	(207,216)
Total Other Revenues (Expenses)	(51,841)	(83,330)
Change in Net Assets	\$ 236,935	\$ 172,118

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Tenant Revenue Received	\$ 540,284	\$ 500,215
Government Operating Grants Received	861,966	864,199
Other Revenue Received	20,113	3,301
General and Administrative Expenses Paid	(882,395)	(820,524)
Interest Received	140,388	112,342
Interest Paid	(265,360)	(276,834)
Net Cash Provided by Operating Activities	414,996	382,699
 Cash Flows from Investing Activities		
Purchases of Land, Structures, and Equipment	(28,462)	(196,562)
Purchase of Investments	(5,591,586)	(6,074,712)
Proceeds from Sale of Investments	5,388,850	6,026,038
Net Cash Used in Investing Activities	(231,198)	(245,236)
 Cash Flows from Capital and Related Financing Activities		
Increases/Decreases in Due To/Due From Related Entity	36,727	(54,783)
Payments to Retire Long-term Debt	(185,000)	(175,000)
Net Cash Used in Financing Activities	(148,273)	(229,783)
Decrease in Cash and Cash Equivalents	35,525	(92,320)
 Cash and Cash Equivalents - Beginning of Year	93,954	186,274
 Cash and Cash Equivalents - End of Year	\$ 129,479	\$ 93,954
 Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Change in Net Assets	\$ 236,935	\$ 172,118
Add Back Non-Cash Items:		
Depreciation Expense	212,635	207,216
Decrease (Increase) in Assets		
Accounts Receivable	(5,338)	(18,223)
Prepaid Expenses	(4,090)	247
Increase (Decrease) in Liabilities		
Accounts Payable	10,177	3,597
Accrued Liabilities	(38,648)	15,648
Other Liabilities	3,325	2,096
Net Cash Provided by Operating Activities	\$ 414,996	\$ 382,699

See notes to the financial statements.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Beginning Net Assets	\$ 2,275,934	\$ 2,103,816
Change in Net Assets	<u>236,935</u>	<u>172,118</u>
Ending Net Assets	<u><u>\$ 2,512,869</u></u>	<u><u>\$ 2,275,934</u></u>

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

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

Sources of Funding

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

Basis of Accounting and Presentation

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

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

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

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

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

Structures and Equipment, Accumulated Depreciation, and Depreciation Expense

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

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

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

Accounts Receivable and Credit Policy

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

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

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with HUD and other governmental organizations having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at June 30, 2007 and 2006 will be immaterial and no allowance for doubtful accounts is required.

Based on management's assessment of the credit history with tenants having outstanding balances and current relationships with them, it has established an allowance for doubtful accounts of \$215 and \$1,685 at June 30, 2007 and 2006, respectively.

Management individually reviews all outstanding accounts receivable balances. Accounts are written off when deemed uncollectible. Bad debt expense for the fiscal years ended June 30, 2007 and 2006, was \$9,890 and \$9,834, respectively.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

Investments

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

Income Tax Status

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

Unrestricted Net Assets

All net assets of the Corporation have been classified as unrestricted in accordance with the requirements of FASB Statement No. 117. This represents a change from prior financial statement presentation.

Cash and Cash Equivalents

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

Due to/Due from Related Entity

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

Use of Estimates

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

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

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

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

located in Ohio and domestic savings and loan associations. The Corporation may enter into repurchase agreements as permitted.

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

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

Deposits

The carrying amount of the Corporation’s cash deposits were \$129,479 and \$93,954 at June 30, 2007 and 2006, respectively, with a \$129,479 and \$93,954 bank balance, respectively. Of the bank balance, \$100,000 was insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2007 and 2006, respectively. The remaining balance as of June 30, 2007 of \$29,479 was uninsured. The uninsured deposit was, however, collateralized with investments in the Corporation’s name held by the financial institution.

Investments

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

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

	2007	2006
Demand Deposits	\$ 129,479	\$ 93,954
JP Morgan Trust Funds	970,490	863,754
Certificates of Deposit	2,163,000	2,067,000
	\$ 3,262,969	\$ 3,024,708

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

Investments (Continued)

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

	2007	2006
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 84,824	\$ 51,102
Cash Restricted for Tenant Security Deposits	44,655	42,852
Unrestricted Investments	2,163,000	2,067,000
Temporarily Restricted Investments	970,490	863,754
	<u>\$ 3,262,969</u>	<u>\$ 3,024,708</u>

Temporarily Restricted Investments

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

NOTE 3: LAND, STRUCTURES, AND EQUIPMENT

	June 30, 2006	Additions	Deletions	June 30, 2007
Land	\$ 551,812	\$ 5,196	\$ 0	\$ 557,008
Buildings	7,012,717	98,873	0	7,111,590
Non-Dwelling Equipment	27,503	6,141	0	33,644
Dwelling Equipment	20,580	0	0	20,580
Construction in Progress	95,677	(81,746)	0	13,931
Total	7,708,289	28,464	0	7,736,753
Less: Accumulated				
Depreciation	(3,980,657)	(212,637)	0	(4,193,294)
Total	<u>\$ 3,727,632</u>	<u>\$ (184,173)</u>	<u>\$ 0</u>	<u>\$ 3,543,459</u>

NOTE 4: BONDS PAYABLE

JP Morgan Institutional Trust Services

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

The bonds issued are fully registered obligations having a minimum denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. The bonds mature on July 15, 2019. Interest is payable semiannually on January 15th and July 15th. As of June 30, 2007, the outstanding balance is \$4,070,000.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

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

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

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

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

<u>For the Year</u> <u>Ended June 30</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u> <u>Amount</u>	<u>Interest</u> <u>Rate(%)</u>
2008	\$ 195,000	\$ 253,247	\$ 448,247	6.375%
2009	210,000	240,338	450,338	6.375%
2010	225,000	226,472	451,472	6.375%
2011	240,000	211,650	451,650	6.375%
2012	255,000	195,872	450,872	6.375%
2013-2017	1,530,000	706,987	2,236,987	6.375%
2018-2020	1,415,000	153,159	1,568,159	6.375%
Total	<u>\$ 4,070,000</u>	<u>\$ 1,987,725</u>	<u>\$ 6,057,725</u>	

NOTE 5: **RELATED PARTY TRANSACTIONS**

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

LMHA acts as managing agent for the Corporation and performs all financial and operating functions for the Corporation except for those administrative duties performed by the Trustee. The Corporation pays LMHA a managing fee for the services rendered, which totaled \$19,368 and \$13,570 for the fiscal years ended June 30, 2007 and 2006, respectively. Various operating expenses are allocated by LMHA to the component unit based on period time and expense studies. Included in the allocation are payroll and related costs such as compensated absences and pension costs.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006
(CONTINUED)

NOTE 6: **CONCENTRATIONS**

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

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
ANNUAL AUDITORS' CERTIFICATE
DEBT SERVICE COVERAGE RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Project Revenues

Tenants' Rent and Other Charges	\$ 544,645	
HUD Operating Subsidy and Capital Grants	861,966	
Investment Income	<u>160,794</u>	
Total Operating Revenues		\$ 1,567,405

Project Expenses

Operating Salaries (b)	219,383	
Maintenance Salaries	39,522	
Employee Benefits	74,470	
Office and Administrative	39,628	
Utilities	214,249	
Property Taxes and Payment in Lieu of Taxes	32,130	
Insurance	34,183	
Professional and Consulting Fees	5,760	
Maintenance - Materials, Supplies, and Contracts (a)	162,492	
Other Expenses	<u>9,890</u>	
Total Operating Expenses		<u>831,707</u>
Operating Income		735,698

Less:

Trustee Fees	5,426	
Replacement Reserve Account Deposits	41,826	
Management Fee	<u>13,942</u>	
		<u>61,194</u>

Net Operating Income **\$ 674,504**

Debt Service Reserve Account Balance	\$ 268,678
Less: Debt Service Reserve Minimum Reserve Requirement	<u>(268,333)</u>
Excess (Deficit) Debt Service Reserve Funds	<u>\$ 345</u>

Maximum Annual Debt Service **\$ 461,619**

Debt Service Coverage Ratio **146.12 %**

(a) Not including replacement reserve reimbursements (\$11,789).

(b) Not including accrued compensated absence (\$4,983).

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
ANNUAL AUDITORS' CERTIFICATE
ASSET/LIABILITY PARITY TEST
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Outstanding Principal Balance	\$ 4,070,000
Debt Service Reserve Fund Balance	268,678
Replacement Reserve Account Balance	155,678
Current Reserve Account (Maximum \$21,000)	<u>21,000</u>
Total	<u>\$ 4,515,356</u>
Outstanding Principal Balance	<u>\$ 4,070,000</u>
Asset/Liability Parity Percent	<u>110.94%</u>

Lorain County Elderly Housing Corporation
 Exhibit B
 Summary of Bank of New York Trust Fund
 12 Months Ending June 30, 2007

	Current Revenue Fund	Cumm. Revenue Account	Operating Expense Account	Replacement Reserve Fund	Insurance & Taxes Fund	Admin Account	Management Account	Interest Account	Principal Account	Debt Service Revenue	Cumm Revenue Sub-Fund	Combined Account
Balance at June 30, 2006	\$21,000	\$83,123	\$0	\$152,290	\$21,392	\$6,340	\$0	\$125,398	\$185,532	\$268,679	\$0	\$863,754
Housing assistance payments	861,966											861,966
Rental income	532,238											532,238
Interest income	2,129	1,988	7,412	1,762	392			3,218	5,070	13,078	3,246	38,295
Transfer from:												
Revenue fund	2,886	0	690,700	41,826	47,444	6,607	13,942	260,445	194,167	166,791		1,424,808
Interest account	4,549											4,549
Principal account	11,737											11,737
Debt service fund	2,885											2,885
Taxes and insurance	353											353
Cumulative revenue fund	1,583											1,583
Cumulative revenue subaccount	297	0	0						0	0		297
Management account												0
Total receipts	1,420,622	1,988	690,700	49,238	49,206	6,999	13,942	263,663	199,237	13,078	170,037	2,878,710
Disbursements												
Transfer to:												
LMHA												
Current Revenue Fund	83,123	1,783	690,700	45,092	26,936	353		2,886	4,549	11,737	2,916	845,850
Operating expense account	690,700											690,700
Cumulative revenue account	-1,518											-1,518
Replacement reserve account	41,826											41,826
Tax and insurance fund	47,444											47,444
Revenue Fund	6,607											6,607
Management account	13,942											13,942
Principal account	194,167											194,167
Debt Svc Rsv											0	0
Interest account	260,445											260,445
Cumulative revenue subaccount	166,791											166,791
Principal and interest payments						0						
Insurance and tax expense								265,359	185,000			450,359
Trustee fees	218	205	759	10,186	179	39		332	521	1,341	330	10,186
Standard and Poor fees						1,500						3,925
Replacement reserve improvements							13,942					1,500
Management fees												0
Total disbursements	1,420,622	85,111	690,700	45,851	38,884	1,892	13,942	268,577	190,070	13,078	3,245	2,771,974
Balance at June 30, 2007	\$21,000	\$0	\$0	\$155,677	\$31,714	\$11,447	\$0	\$120,484	\$194,699	\$268,679	\$166,791	\$970,490
Investment balance	\$21,000	\$83,123	\$0	\$152,290	\$21,392	\$6,340	\$0	\$125,398	\$185,532	\$268,679	\$0	\$863,754
Investments purchase	1,253,772	1,482	0	48,499	47,694	6,661	0	251,773	194,648	2,881	167,176	1,974,586
Investments sold	1,253,772	84,605	0	45,111	37,372	1,554	0	256,688	185,482	2,881	385	1,867,850
Balance at June 30, 2007	\$21,000	\$0	\$0	\$155,678	\$31,714	\$11,447	\$0	\$120,483	\$194,699	\$268,678	\$166,791	\$970,490

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	
<u>U.S. Department of Housing and Urban Development</u> Section 8 New Construction	14.182	N/A	<u>\$ 861,966</u>

See Notes to the Schedule of Expenditures of Federal Awards.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1: **BASIS OF PRESENTATION**

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

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the Lorain County Elderly Housing Corporation, Lorain, Ohio (the Corporation) (a nonprofit organization) as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated September 6, 2007. The Corporation revised its financial statement presentation during the fiscal year ending June 30, 2007 to classify all net assets as unrestricted in accordance with FASB Statement No. 117. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lorain County Elderly Housing Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 6, 2007

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

Certified Public Accountants

5240 East 98th Street

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

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

Compliance

We have audited the compliance of the Lorain County Elderly Housing Corporation (the Corporation) (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. The Lorain County Elderly Housing Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lorain County Elderly Housing Corporation's management. Our responsibility is to express an opinion on the Lorain County Elderly Housing Corporation's compliance based on our audit.

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

In our opinion, the Lorain County Elderly Housing Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

The management of the Lorain County Elderly Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lorain County Elderly Housing Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 6, 2007

LORAIN COUNTY ELDERLY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2007(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list): Section 8 New Construction Program - CFDA# 14.182	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: >all others
2007(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

LORAIN METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 6, 2007**