

LORAIN METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2007 through June 30, 2008. 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

February 2, 2009

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**LORAIN METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2008 and June 30, 2007, and for the years 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

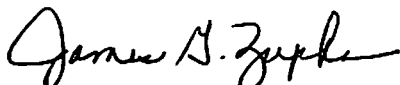
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2008 and June 30, 2007 and the respective changes in financial position, and, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, 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 important for 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 the 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 Schedule of Completed Grant Certificates is 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.

The Authority has not presented the Financial Data Schedules (FDS) required by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is now undertaking.


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

December 22, 2008

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 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 primary government's net assets increased by \$1,424,609, or 3.7 percent, during 2008. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$39,824,588 and \$38,399,979 for 2008 and 2007 respectively.
- The business-type activities revenue for the primary government increased by \$247,241, or 0.85 percent, during 2008 and were \$29,186,984 and \$28,939,743 for 2008 and 2007, respectively.
- The total expenses, for the primary government, before extraordinary items, of all Authority programs decreased by \$632,749 or 2.2 percent. Total expenses, before extraordinary items, were \$27,762,375 and \$28,395,124 for 2008 and 2007, respectively.
- The component unit's net assets increased by \$103,169, or 4.1 percent, during 2008. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$2,616,038 and \$2,512,869 for 2008 and 2007, respectively.
- The business-type activities operating revenue for the component unit decreased by \$4,643 or .3 percent, during 2008 and were \$1,401,968 and \$1,406,611 for 2008 and 2007, respectively.
- The total expenses for the component unit, before extraordinary items, increased by \$104,896 or 7.9 percent. Total expenses, before extraordinary items, were \$1,435,366 and \$1,330,470 for 2008 and 2007, 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".

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Unaudited)**

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.

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Unaudited)**

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.

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 - Primary Government

	2008	2007	2006
<u>Assets</u>			
Current and Other Assets	\$ 12,101,436	\$ 9,265,491	\$ 8,647,600
Capital Assets	<u>29,037,612</u>	<u>30,222,944</u>	<u>30,616,900</u>
Total Assets	<u>41,139,048</u>	<u>39,488,435</u>	<u>39,264,500</u>
<u>Liabilities</u>			
Current Liabilities	975,574	702,333	1,094,264
Long-Term Liabilities	<u>338,886</u>	<u>386,123</u>	<u>298,291</u>
Total Liabilities	<u>1,314,460</u>	<u>1,088,456</u>	<u>1,392,555</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	29,037,612	30,222,944	30,616,900
Restricted	3,873,351	83,649	66,286
Unrestricted	<u>6,913,625</u>	<u>8,093,386</u>	<u>7,188,759</u>
Total Net Assets	<u>\$39,824,588</u>	<u>\$38,399,979</u>	<u>\$ 37,871,945</u>

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Unaudited)**

Major Factors Affecting the Statement of Net Assets

Current assets were increased by \$2,835,945 while current liabilities were increased by \$273,241. 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 increased primarily due to the timing of work completion and invoicing in the capital fund program.

Capital assets decreased by \$1,185,332 from \$30,222,944 to \$29,037,612. For more detail, see the section Capital Assets and Debt Administration.

Table 2 - Change of Unrestricted Net Assets - Primary Government

Unrestricted Net Assets at June 30, 2007	<u>\$8,093,386</u>
Results of Operations	1,424,609
Adjustments:	
Depreciation (1)	<u>2,893,296</u>
Adjusted Results from Operations	4,317,905
Net Change in Restricted Assets (3)	<u>(3,789,702)</u>
Net Change in Capital Assets (2)	<u>(1,707,964)</u>
Unrestricted Net Assets at June 30, 2008	<u>\$ 6,913,625</u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.
- (2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against results of operations, and therefore must be deducted.
- (3) Recognizing excess Housing Choice Voucher housing assistance payments as restricted assets in fiscal year 2008.

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(Unaudited)**

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

	2008	2007	2006
<u>Revenues</u>			
Tenant Revenue - Rents and Other	\$ 1,791,353	\$ 1,695,060	\$ 1,789,712
Operating Subsidies and Grants	25,152,978	24,639,009	23,540,674
Capital Grants	1,557,992	1,913,834	2,429,884
Investment Income	449,967	428,122	318,270
Other Revenues	<u>234,694</u>	<u>263,718</u>	<u>182,419</u>
Total Revenues	<u>29,186,984</u>	<u>28,939,743</u>	<u>28,260,959</u>
<u>Expenses</u>			
Administrative	4,048,558	3,909,515	3,722,050
Tenant Services	161,684	158,775	134,428
Utilities	1,530,225	1,507,287	1,590,195
Maintenance	2,598,900	2,752,842	2,356,877
Protective Services	361,153	350,585	379,687
General	759,125	629,223	482,719
Housing Assistance Payments	15,409,434	16,338,261	16,430,265
Depreciation	<u>2,893,296</u>	<u>2,748,636</u>	<u>2,664,966</u>
Total Expenses before Extraordinary Item	27,762,375	28,395,124	27,761,187
Extraordinary Item	<u>0</u>	<u>16,585</u>	<u>(500,511)</u>
Total Expenses after Extraordinary Item	<u>27,762,375</u>	<u>28,411,709</u>	<u>27,260,676</u>
Net Increase/(Decrease)	<u>\$ 1,424,609</u>	<u>\$ 528,034</u>	<u>\$ 1,000,283</u>

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

Total revenues increased by \$247,241. This net increase is a result of utilizing Capital Fund operating funding and the requirement to recognize Section 8 budget authority as revenue.

Total expenses before extraordinary items decreased \$632,749 which is a 2.2%. This change was due to a decrease in the housing choice voucher average housing assistance payment.

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$29,037,612 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$1,185,322 from the end of last year.

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

	2008	2007	2006
Land	\$ 4,673,858	\$ 4,673,858	\$ 4,636,058
Buildings	64,943,036	63,187,814	60,752,923
Office Equipment	823,494	809,676	776,309
Maintenance Equipment/Vehicles	905,196	842,534	838,399
Construction in Progress	401,618	568,326	783,886
Total	71,747,202	70,082,208	67,787,575
Less Accumulated Depreciation	(42,709,590)	(39,859,264)	(37,170,675)
Total Capital Assets	\$29,037,612	\$30,222,944	\$30,616,900

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 - Primary Government - June 30, 2008

Beginning Balance - July 1, 2007	\$30,222,944
Additions	1,714,131
Retirements, net of Depreciation	(6,173)
Depreciation	(2,893,290)
Ending Balance - June 30, 2008	<u>\$29,037,612</u>

This year's major additions are:

Capital Improvements Programs	\$ 1,588,514
Equipment Purchases	<u>125,617</u>
Total Additions	<u>\$ 1,714,131</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$3,875,000 in debt (bonds) outstanding compared to \$4,070,000 last year, a \$195,000 decrease (debt retirement). No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	2008	2007	2006
Refinance of Construction and Acquisition	\$ 3,875,000	\$ 4,070,000	\$ 4,255,000
Less: Current Portion	(210,000)	(195,000)	(185,000)
Total Outstanding Debt	\$ 3,665,000	\$ 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
AS OF JUNE 30, 2008 AND JUNE 30, 2007

	<u>June 30, 2008</u>			<u>June 30, 2007</u>		
	<u>Primary</u>	<u>Component</u>		<u>Primary</u>	<u>Component</u>	
	<u>Government</u>	<u>Unit</u>		<u>Government</u>	<u>Unit</u>	
	Lorain	Lorain County		Lorain	Lorain County	
Metropolitan	Elderly	Total	Metropolitan	Elderly	Total	
Housing	Housing	(Memorandum	Housing	Housing	(Memorandum	
Authority	Corporation	Only)	Authority	Corporation	Only)	
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and Equivalents:						
Cash and Cash Equivalents	\$ 575,655	\$ 15,589	\$ 591,244	\$ 2,115,551	\$ 84,824	\$ 2,200,375
Cash - Restricted	1,407,590	0	1,407,590	83,649	0	83,649
Cash - Tenant Security Deposits	<u>144,458</u>	<u>41,108</u>	<u>185,566</u>	<u>153,182</u>	<u>44,655</u>	<u>197,837</u>
Total Cash and Cash Equivalents	<u>2,127,703</u>	<u>56,697</u>	<u>2,184,400</u>	<u>2,352,382</u>	<u>129,479</u>	<u>2,481,861</u>
Accounts and Notes Receivable:						
HUD - Other Projects	414,687	0	414,687	178,001	0	178,001
Miscellaneous	6,782	0	6,782	82,687	0	82,687
Tenants, Net	85,509	5,124	90,633	71,865	2,373	74,238
Fraud Recovery Receivable	151,536	2,288	153,824	169,658	688	170,346
Accrued Interest Receivable	<u>148,520</u>	<u>34,774</u>	<u>183,294</u>	<u>138,546</u>	<u>50,066</u>	<u>188,612</u>
Total Accounts and Notes Receivable	<u>807,034</u>	<u>42,186</u>	<u>849,220</u>	<u>640,757</u>	<u>53,127</u>	<u>693,884</u>
Other Current Assets:						
Investments - Unrestricted	6,376,000	2,209,000	8,585,000	5,856,000	2,163,000	8,019,000
Investments - Restricted	2,500,000	900,306	3,400,306	0	970,490	970,490
Inventories, Net	210,105	19,937	230,042	254,059	0	254,059
Prepaid Expenses and Other Assets	31,879	17,776	49,655	107,514	18,652	126,166
Due from Component Unit	<u>48,715</u>	<u>0</u>	<u>48,715</u>	<u>54,779</u>	<u>0</u>	<u>54,779</u>
Total Other Current Assets	<u>9,166,699</u>	<u>3,147,019</u>	<u>12,313,718</u>	<u>6,272,352</u>	<u>3,152,142</u>	<u>9,424,494</u>
Total Current Assets	<u>12,101,436</u>	<u>3,245,902</u>	<u>15,347,338</u>	<u>9,265,491</u>	<u>3,334,748</u>	<u>12,600,239</u>
<u>Non-Current Assets</u>						
<u>Capital Assets</u>						
Land, Structure, and Equipment	71,747,202	7,926,750	79,673,952	70,082,208	7,736,753	77,818,961
Less Accumulated Depreciation	<u>(42,709,590)</u>	<u>(4,395,503)</u>	<u>(47,105,093)</u>	<u>(39,859,264)</u>	<u>(4,193,294)</u>	<u>(44,052,558)</u>
Total Non-Current Assets	<u>29,037,612</u>	<u>3,531,247</u>	<u>32,568,859</u>	<u>30,222,944</u>	<u>3,543,459</u>	<u>33,766,403</u>
TOTAL ASSETS	<u>\$41,139,048</u>	<u>\$ 6,777,149</u>	<u>\$47,916,197</u>	<u>\$39,488,435</u>	<u>\$ 6,878,207</u>	<u>\$ 46,366,642</u>

See notes to the financial statements

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008 AND JUNE 30, 2007
(CONTINUED)

	<u>June 30, 2008</u>			<u>June 30, 2007</u>		
	<u>Primary Government</u>	<u>Component Unit</u>		<u>Primary Government</u>	<u>Component 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>LIABILITIES</u>						
<u>Current Liabilities</u>						
Accounts Payable	\$ 370,131	\$ 11,157	\$ 381,288	\$ 169,403	\$ 18,041	\$ 187,444
Accrued Wages and Payroll Taxes	117,885	8,570	126,455	78,713	6,070	84,783
Accrued Compensated Absences	249,255	17,033	266,288	250,728	13,589	264,317
Accrued Interest Payable	0	113,223	113,223	0	118,920	118,920
Accounts Payable - HUD PHA Programs	2	0	2	12,073	0	12,073
Accounts Payable - PILOT and Other	0	29,447	29,447	0	30,260	30,260
Tenant Security Deposits	142,099	38,377	180,476	140,337	40,874	181,211
Current Portion of Long-Term Debt	0	210,000	210,000	0	195,000	195,000
Other Current Liabilities	96,202	7,168	103,370	51,079	75	51,154
Due to Primary Government	<u>0</u>	<u>48,715</u>	<u>48,715</u>	<u>0</u>	<u>54,779</u>	<u>54,779</u>
Total Current Liabilities	<u>975,574</u>	<u>483,690</u>	<u>1,459,264</u>	<u>702,333</u>	<u>477,608</u>	<u>1,179,941</u>
<u>Non-Current Liabilities</u>						
Long-Term Debt, Net of Current Portion	0	3,665,000	3,665,000	0	3,875,000	3,875,000
Accrued Compensated Absences	169,478	12,421	181,899	177,466	12,730	190,196
Non-Current Liabilities - FSS Escrow and Others	<u>169,408</u>	<u>0</u>	<u>169,408</u>	<u>208,657</u>	<u>0</u>	<u>208,657</u>
Total Non-Current Liabilities	<u>338,886</u>	<u>3,677,421</u>	<u>4,016,307</u>	<u>386,123</u>	<u>3,887,730</u>	<u>4,273,853</u>
TOTAL LIABILITIES	<u>1,314,460</u>	<u>4,161,111</u>	<u>5,475,571</u>	<u>1,088,456</u>	<u>4,365,338</u>	<u>5,453,794</u>
<u>NET ASSETS</u>						
Invested in Capital Assets, Net of Related Debt	29,037,612	508,842	29,546,454	30,222,944	488,554	30,711,498
Restricted Net Assets	3,873,351	900,306	4,773,657	83,649	970,490	1,054,139
Unrestricted Net Assets	<u>6,913,625</u>	<u>1,206,890</u>	<u>8,120,515</u>	<u>8,093,386</u>	<u>1,053,825</u>	<u>9,147,211</u>
TOTAL NET ASSETS	<u>39,824,588</u>	<u>2,616,038</u>	<u>42,440,626</u>	<u>38,399,979</u>	<u>2,512,869</u>	<u>40,912,848</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$41,139,048</u>	<u>\$ 6,777,149</u>	<u>\$47,916,197</u>	<u>\$ 39,488,435</u>	<u>\$ 6,878,207</u>	<u>\$ 46,366,642</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, 2008 AND 2007

	June 30, 2008			June 30, 2007		
	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	\$ 1,592,297	\$ 529,787	\$ 2,122,084	\$ 1,522,027	\$ 527,949	\$ 2,049,976
Tenant Revenue - Other	199,056	6,359	205,415	173,033	7,012	180,045
	<u>1,791,353</u>	<u>536,146</u>	<u>2,327,499</u>	<u>1,695,060</u>	<u>534,961</u>	<u>2,230,021</u>
HUD PHA Operating Grants	25,152,978	856,675	26,009,653	24,639,009	861,966	25,500,975
Fraud Recovery Receivable	119,767	0	119,767	105,842	0	105,842
Other Revenue	111,427	9,147	120,574	156,850	9,684	166,534
Total Operating Revenues	<u>27,175,525</u>	<u>1,401,968</u>	<u>28,577,493</u>	<u>26,596,761</u>	<u>1,406,611</u>	<u>28,003,372</u>
Operating Expenses						
Administrative	4,048,558	418,007	4,466,565	3,909,515	339,099	4,248,614
Tenant Services	161,684	16	161,700	158,775	0	158,775
Utilities	1,530,225	223,098	1,753,323	1,507,287	214,249	1,721,536
Ordinary Maintenance and Operation	2,598,900	266,598	2,865,498	2,752,842	225,517	2,978,359
Protective Services	361,153	3,405	364,558	350,585	2,813	353,398
Insurance Premiums	354,894	36,558	391,452	339,475	34,183	373,658
Other General Expenses	9,470	1,239	10,709	0	0	0
Payments in Lieu of Taxes	0	29,457	29,457	2,476	32,130	34,606
Bad Debt	110,132	2,263	112,395	123,469	9,890	133,359
Severance Expense	41,600	0	41,600	10,964	0	10,964
Extraordinary Maintenance	203,403	0	203,403	90,436	0	90,436
Casualty Losses - Non-Capitalized	39,626	2,684	42,310	62,403	0	62,403
Housing Assistance Payments	15,409,434	0	15,409,434	16,338,261	0	16,338,261
Depreciation Expense	2,893,296	204,492	3,097,788	2,748,636	212,635	2,961,271
Total Operating Expenses	<u>27,762,375</u>	<u>1,187,817</u>	<u>28,950,192</u>	<u>28,395,124</u>	<u>1,070,516</u>	<u>29,465,640</u>
Operating Income	<u>(586,850)</u>	<u>214,151</u>	<u>(372,699)</u>	<u>(1,798,363)</u>	<u>336,095</u>	<u>(1,462,268)</u>
Non-Operating Revenues (Expenses)						
Investment Income - Unrestricted	319,194	110,188	429,382	354,040	122,499	476,539
Investment Income - Restricted	130,773	26,379	157,152	74,082	38,295	112,377
Interest Expense	0	(247,549)	(247,549)	0	(259,954)	(259,954)
Gain (loss) on capital assets	3,500	0	3,500	1,026	0	1,026
Total Non-Operating Revenues (Expenses)	<u>453,467</u>	<u>(110,982)</u>	<u>342,485</u>	<u>429,148</u>	<u>(99,160)</u>	<u>329,988</u>
Income (Loss) Before Capital Contributions and Extraordinary Item	(133,383)	103,169	(30,214)	(1,369,215)	236,935	(1,132,280)
Capital Contributions	1,557,992	0	1,557,992	1,913,834	0	1,913,834
Special Item	0	0	0	(16,585)	0	(16,585)
Change in Net Assets	1,424,609	103,169	1,527,778	528,034	236,935	764,969
Total Net Assets - Beginning	<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 Net Assets - Ending	<u>\$39,824,588</u>	<u>\$ 2,616,038</u>	<u>\$42,440,626</u>	<u>\$38,399,979</u>	<u>\$ 2,512,869</u>	<u>\$40,912,848</u>

See notes to the financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	June 30, 2008			June 30, 2007		
	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	\$ 1,777,709	\$ 531,795	\$ 2,309,504	\$ 1,731,208	\$ 540,284	\$ 2,271,492
Other Revenue Received	326,983	6,650	333,633	101,707	20,113	121,820
General and Administrative Expenses Paid	(24,525,248)	(997,354)	(25,522,602)	(26,049,470)	(882,395)	(26,931,865)
Net Cash Provided (Used) by Operating Activities	(22,420,556)	(458,909)	(22,879,465)	(24,216,555)	(321,998)	(24,538,553)
Cash Flows from Non-Capital Financing Activities						
Government Operating Grants Received	25,160,125	856,675	26,016,800	24,614,284	861,966	25,476,250
Increases/Decreases in Due To/ Due From Related Activity	6,064	(6,064)	0	(36,727)	36,727	0
Net Cash Provided (Used) by Financing Activities	25,166,189	850,611	26,016,800	24,577,557	898,693	25,476,250
Cash Flows from Capital and Related Financing Activities						
Proceeds from Sale of Capital Assets	9,673	0	9,673	1,026	0	1,026
Government Capital Grants Received	1,314,159	0	1,314,159	2,095,148	0	2,095,148
Purchases of Land, Structures, and Equipment	(1,714,137)	(192,280)	(1,906,417)	(2,354,680)	(28,462)	(2,383,142)
Payments to Retire Long-Term Debt	0	(195,000)	(195,000)	0	(185,000)	(185,000)
Interest Paid	0	(253,246)	(253,246)	0	(265,360)	(265,360)
Net Cash Provided (Used) by Capital and Related Financing Activities	(390,305)	(640,526)	(1,030,831)	(258,506)	(478,822)	(737,328)
Cash Flows from Investing Activities						
Purchase from Investments	(11,967,000)	(4,884,651)	(16,851,651)	(13,073,000)	(5,591,586)	(18,664,586)
Proceeds from Sale of Investments	8,947,000	4,908,834	13,855,834	14,243,000	5,388,850	19,631,850
Interest Received	439,993	151,859	591,852	380,470	140,388	520,858
Net Cash Provided (Used) by Investing Activities	(2,580,007)	176,042	(2,403,965)	1,550,470	(62,348)	1,488,122
Increase (Decrease) in Cash and Cash Equivalents		(224,679)	(72,782)	(297,461)	1,652,966	35,528,491
Cash and Cash Equivalents - Beginning of Year	2,352,382	129,479	2,481,861	699,416	93,954	793,370
Cash and Cash Equivalents - End of Year	\$ 2,127,703	\$ 56,697	\$ 2,184,400	\$ 2,352,382	\$ 129,479	\$ 2,481,861
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	\$ (586,850)	\$ 214,151	\$ (372,699)	\$ (1,798,363)	\$ 336,095	\$ (1,462,268)
Adjustments to Change in Net Assets:						
HUD PHA Operating Grants	(25,152,978)	(856,675)	(26,009,653)	(24,639,009)	(861,966)	(25,500,975)
Add Back Non-Cash Items:						
Depreciation Expense	2,893,296	204,492	3,097,788	2,748,636	212,635	2,961,271
Decrease (Increase) in Operating Assets:						
Accounts Receivable	80,383	(4,350)	76,033	(141,319)	15,068	(126,251)
Prepaid Expenses	75,635	875	76,510	(77,519)	(4,090)	(81,609)
Inventory	43,954	(19,937)	24,017	(4,882)	0	(4,882)
	<u>199,972</u>	<u>(23,412)</u>	<u>176,560</u>	<u>(223,720)</u>	<u>10,978</u>	<u>(212,742)</u>
Increase (Decrease) in Operating Liabilities:						
Accounts Payable	188,657	(6,884)	181,773	(447,531)	10,177	(437,354)
Accrued Liabilities	37,347	10,232	47,579	143,432	(33,242)	110,190
Other Liabilities	0	(813)	(813)	0	3,325	3,325
	<u>226,004</u>	<u>2,535</u>	<u>228,539</u>	<u>(304,099)</u>	<u>(19,740)</u>	<u>(323,839)</u>
Net Cash Used by Operating Activities	\$(22,420,566)	\$ (458,909)	\$(22,879,465)	\$(24,216,555)	\$ (321,998)	\$(24,538,553)

See notes to the financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

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, 2008 AND 2007
(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, 2008 AND 2007
(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, 2008 AND 2007
(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, 2008 AND 2007
(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, 2008 AND 2007
(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, restricted housing choice voucher housing assistance payments accounts, and tenant security deposits, was \$2,184,400 and \$2,481,861 at June 30, 2008 and 2007, respectively, and the bank balance was \$2,343,271 and \$2,703,229 at June 30, 2008 and 2007, 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 \$11,085,000 and \$8,019,000 at June 30, 2008 and 2007, 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 \$900,306 and \$970,490 at June 30, 2008 and 2007, 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, 2008 AND 2007
(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,	
	2008	2007
<u>Lorain Metropolitan Housing Authority</u>		
<u>Business Activities</u>		
Other Non-HUD Reserves	\$ 4,003	\$ 4,215
 <u>Low-Rent Public Housing</u>		
Tenant Security Deposits	140,455	148,967
Family Self-Sufficiency Escrow Deposits	24,911	21,865
 <u>Section 8 Program</u>		
Housing Assistance Payments	3,854,426	0
Family Self-Sufficiency Escrow Deposits	28,253	61,784
Total Lorain Metropolitan Housing Authority	\$ 4,052,048	\$ 236,831
 <u>Lorain County Elderly Housing Corporation</u>		
Tenant Security Deposits	\$ 41,108	\$ 44,655
Trustee Reserves as Follows:		
Current Revenue Fund	17,426	21,000
Cumulative Reserve Fund	38,884	166,791
Replacement Reserve Fund	202,190	155,678
Tax and Insurance Fund	31,565	31,714
Management Account	17,811	11,447
Interest Account	115,303	120,483
Principal Account	208,449	194,699
Debt Service Fund	268,678	268,678
Total Lorain County Elderly Housing Corporation	\$ 941,414	\$ 1,015,145

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

Lorain Metropolitan Housing Authority

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,673,858	\$ 0	\$ 0	\$ 4,673,858
Construction in Progress	<u>568,326</u>	<u>(166,708)</u>	<u>0</u>	<u>401,618</u>
Total Capital Assets Not Being Depreciated	<u>5,242,184</u>	<u>(166,708)</u>	<u>0</u>	<u>5,075,476</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	63,187,814	1,755,222	0	64,943,036
Office Equipment	809,676	60,560	(46,742)	823,494
Maintenance Equipment	251,565	32,147	(2,395)	281,317
Vehicles	<u>590,969</u>	<u>32,910</u>	<u>0</u>	<u>623,879</u>
Total Capital Assets Being Depreciated	<u>64,840,024</u>	<u>1,880,839</u>	<u>(49,137)</u>	<u>66,671,726</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(38,494,532)	(2,729,846)	0	(41,224,378)
Office Equipment	(586,420)	(141,718)	30,369	(697,769)
Maintenance Equipment	(221,311)	(18,055)	1,565	(237,801)
Vehicles	<u>(557,001)</u>	<u>(3,671)</u>	<u>11,030</u>	<u>(549,642)</u>
Total Accumulated Depreciation	<u>(39,859,264)</u>	<u>(2,893,290)</u>	<u>42,964</u>	<u>(42,709,590)</u>
Total Capital Assets Being Depreciated, Net	24,980,760	(1,012,451)	(6,173)	23,962,136
Capital Assets, Net	<u>\$30,222,944</u>	<u>\$(1,179,159)</u>	<u>\$(6,173)</u>	<u>\$29,037,612</u>

Lorain County Elderly Housing Corporation

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 557,008	\$ 3,545	\$ 0	\$ 560,553
Construction in Progress	<u>13,931</u>	<u>(13,931)</u>	<u>0</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	<u>570,939</u>	<u>(10,386)</u>	<u>0</u>	<u>560,553</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	7,111,589	186,787	0	7,298,376
Office Equipment	33,645	4,043	(1,356)	36,332
Maintenance Equipment	<u>20,580</u>	<u>12,964</u>	<u>(2,055)</u>	<u>31,489</u>
Total Capital Assets Being Depreciated	<u>7,165,814</u>	<u>203,794</u>	<u>(3,411)</u>	<u>7,366,197</u>
<i>Less Accumulated Depreciated</i>				
Buildings	(4,156,580)	(199,890)	0	(4,356,470)
Office Equipment	(25,905)	(2,622)	226	(28,301)
Maintenance Equipment	<u>(10,809)</u>	<u>(1,980)</u>	<u>2,057</u>	<u>(10,732)</u>
Total Accumulated Depreciation	<u>(4,193,294)</u>	<u>(204,492)</u>	<u>2,283</u>	<u>(4,395,503)</u>
Total Capital Assets Being Depreciated, Net	2,972,520	(698)	(1,128)	2,970,694
Capital Assets, Net	<u>\$ 3,543,459</u>	<u>\$(11,084)</u>	<u>\$(1,128)</u>	<u>\$ 3,531,247</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(CONTINUED)

NOTE 6: DEBT AND LEASE OBLIGATIONS

Lorain County Elderly Housing Corporation Bonds

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

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

Lorain 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 (%)
2009	\$ 210,000	\$ 240,338	\$ 450,338	6.375%	6.454%
2010	225,000	226,472	451,472	6.375%	6.454%
2011	240,000	211,650	451,650	6.375%	6.454%
2012	255,000	195,872	450,872	6.375%	6.454%
2013	270,000	179,138	449,138	6.375%	6.454%
2014-2018	1,630,000	606,263	2,236,263	6.375%	6.454%
2019-2020	<u>1,045,000</u>	<u>74,747</u>	<u>1,119,747</u>	6.375%	6.454%
Totals	<u>\$ 3,875,000</u>	<u>\$ 1,734,480</u>	<u>\$ 5,609,480</u>		

A reconciliation of long-term liabilities are shown below:

	<u>LMHA</u>	<u>LCEHC</u>	<u>Total</u>
Balance at July 1, 2006	\$ 0	\$ 4,070,000	\$ 4,070,000
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>
Increase in Long-Term Liabilities	0	0	0
Decrease in Long-Term Liabilities	<u>0</u>	<u>210,000</u>	<u>210,000</u>
Balance at June 30, 2008	<u>\$ 0</u>	<u>\$ 3,665,000</u>	<u>\$ 3,665,000</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(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, 2008 and 2007, respectively.

Lease Obligations

The Authority has not leased office equipment in the years ended June 30, 2008 and 2007, 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, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries; the percent of contributions changed to 10 percent effective January 1, 2008. LMHA's contribution rate for pension benefits was 7.85 percent of covered payroll through December 31, 2007; effective January 1, 2008, the percent increased to 8.50 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, 2008 AND 2007
(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, 2008, 2007, and 2006, were \$541,057, \$471,279, and \$442,916, respectively; 100 percent has been contributed for 2008, 2007, and 2006. Contributions to the member-directed plan for the years ended June 30, 2008, 2007, and 2006, were \$5,936, \$5,304, and \$4,102, respectively.

Lorain County Elderly Housing Corporation's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2008, 2007, and 2006, were \$42,524, \$35,593, and \$37,500, 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 2007 local government employer contribution rate was 13.85 percent of covered payroll; 6.00 percent of covered payroll was the portion that was used to fund health care. Effective January 1, 2008 the contribution rate was 14.00 percent of covered payroll with 5.5 percent used to fund healthcare.

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, 2006, 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 5 percent for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase 4 percent (the projected wage inflation rate).

LORAIN METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

At December 31, 2007, the number of active contributing participants in the traditional and combined plans totaled 374,979. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$218,543 for LMHA and \$18,422 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, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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, 2008, 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, 2008 AND 2007
(CONTINUED)**

NOTE 11: SPECIAL ITEMS

Project Based Accounting and Budgeting for the public housing program has created the need for a new financial data schedule but unfortunately has not been released and therefore not included in this report.

The Housing Choice voucher program requires the equity portion attributable to the excess Housing assistance payments be reflected as restricted net assets. The corresponding funds are reflected in the restricted cash and investment accounts.

	<u>Lorain Metropolitan Housing Authority</u>
Restricted Housing Choice Voucher Housing Assistance	
Payments (HAP) Equity Reconciliation:	
HAP CD's	\$ 2,500,000
Housing Choice Voucher HAP Checking	1,247,916
Money Market Account (HAP Portion)	106,510
Accrued Interest Receivable	37,608
Accounts Payable HAP	<u>(18,683)</u>
Total HAP Equity	<u>\$3,873,351</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.

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, 2008 and 2007, 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, 2008**

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
<i>Low Income Housing Assistance Programs</i>		
Section 8 Housing Choice Voucher	14.871	\$ 18,638,570
Public Housing - Operating Subsidy	14.850a	5,202,836
Public Housing Capital Fund Program	14.872	2,510,547
Shelter Plus Care	14.238	325,754
Resident Opportunity and Supportive Services Grant	14.870	<u>33,263</u>
Total U.S. Department of Housing and Urban Development		<u>26,710,970</u>
Total Federal Financial Assistance		<u>\$26,710,970</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, 2008

NOTE 1: **PRESENTATION**

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

NOTE 2: **COMPONENT UNIT**

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

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development Section 8 Housing</i>	14.871	<u>\$ 856,675</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF COMPLETED GRANTS/CERTIFICATES
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Description</u>	Note A OH16C20-7026 Shelter Plus Care Grant	Note B OH12RFS121A006 ROSS Grant	Note C OH12P01250105 Capital Fund Grant
Funds Approved - Latest Budget	\$ 519,444	\$ 42,000	\$ 2,723,871
Funds Advanced	276,542	34,295	2,723,871
Funds Expended	<u>276,542</u>	<u>34,295</u>	<u>2,723,871</u>
Difference between Funds Advanced and Funds Expended	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note A: This Shelter Plus Care grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2008. Of this grant, \$242,902 was not advanced or expended.

Note B: This Resident Opportunity and Self Sufficiency (ROSS) grant was completed by LMHA during fiscal year 2008. \$7,705 was not advanced or expended.

Note C: This Capital Fund grant was completed by LMHA during fiscal year 2008. All funds were advanced and expended.

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2008**

Lorain Metropolitan Housing Authority (LMHA) had a total of 4,441 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	1,450	1,402
Section 8 Vouchers	2,719	2,670
Shelter Plus Care	65	58
General Fund (not HUD funded)	7	5
Total Lorain Metropolitan Housing Authority	4,241	4,135
 Lorain County Elderly Housing Corporation		
Section 8 New Construction	200	193
 Total LMHA and LCEHC	4,441	4,328

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Lorain Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated December 22, 2008. 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.

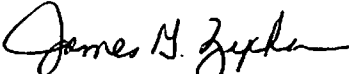
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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 basic 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, Federal Awarding Agencies and the Auditor of State 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

December 22, 2008

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Lorain Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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, 2008.

Internal Control Over Compliance

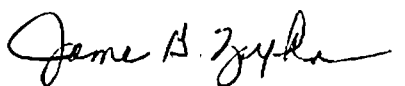
The management of the Lorain Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered 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 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

December 22, 2008

**LORAIN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2008(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Public Housing CFDA# 14.850 Public Housing Capital Fund Program CFDA# 14.872	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$801,329 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, 2008**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2007.

LORAIN COUNTY ELDERLY HOUSING CORPORATION

AUDIT REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

LORAIN COUNTY ELDERLY HOUSING CORPORATION
AUDIT REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

Board of Trustees
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, 2008 and 2007, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Elderly Housing Corporation, Lorain, Ohio, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2008, 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, 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 important for 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 presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 Accountant

September 23, 2008

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 15,589	\$ 84,824
Cash Restricted for Tenant Security Deposits	41,108	44,655
Unrestricted Investments	2,209,000	2,163,000
Temporarily Restricted Investments	900,306	970,490
Accounts Receivable - HUD		
Accounts Receivable - Tenants, Net of Allowance of \$543 in 2008 and \$215 in 2007	7,412	3,061
Accounts Receivable - Miscellaneous		
Accrued Interest Receivable	34,774	50,066
Prepaid Expense	17,776	18,652
Inventory	19,937	0
Total Current Assets	3,245,902	3,334,748
<u>Noncurrent Assets</u>		
Land, Structures, and Equipment	7,926,750	7,736,753
Less: Accumulated Depreciation	(4,395,503)	(4,193,294)
Total Noncurrent Assets	3,531,247	3,543,459
TOTAL ASSETS	\$ 6,777,149	\$ 6,878,207
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 11,157	\$ 18,041
Accrued Wages and Fringe Benefits	8,570	6,070
Accrued Compensated Absences	17,033	13,589
Accrued Interest	113,223	118,920
Accrued Liability - Other		
Other Current Liabilities	7,168	75
Payment in Lieu of Taxes (PILOT)	29,447	30,260
Tenant Security Deposit Payable	38,377	40,874
Payable to LMHA	48,715	54,779
Bonds Payable - Current Portion	210,000	195,000
Total Current Liabilities	483,690	477,608
<u>Noncurrent Liabilities</u>		
Long-term Compensated Absences	12,421	12,730
Long-term Bonds Payable, Less Current Portion	3,665,000	3,875,000
Total Noncurrent Liabilities	3,677,421	3,887,730
TOTAL LIABILITIES	4,161,111	4,365,338
<u>Net Assets</u>		
Unrestricted	2,616,038	2,512,869
Total Net Assets	2,616,038	2,512,869
TOTAL LIABILITIES AND NET ASSETS	\$ 6,777,149	\$ 6,878,207

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
<u>Revenue</u>		
Net Tenant Rental Revenue	\$ 529,787	\$ 527,949
Tenant Revenue - Other	6,359	7,012
Total Tenant Revenue	536,146	534,961
HUD PHA Operating Grants	856,675	861,966
Other Revenue	9,147	9,684
Total Revenue	1,401,968	1,406,611
<u>Operating Expenses</u>		
Administrative	418,023	339,099
Utilities	223,098	214,249
Ordinary Maintenance and Operation	270,521	225,517
Protective Services	3,405	2,813
Insurance Premiums	36,558	34,183
Payment in Lieu of Taxes (PILOT)	29,457	32,130
Bad Debt (Recovery) - Tenant Rents	2,263	9,890
Interest Expense	247,549	259,954
Total Operating Expenses	1,230,874	1,117,835
Net Operating Income	171,094	288,776
<u>Other Revenues (Expenses)</u>		
Investment Income - Unrestricted	110,188	122,499
Investment Income - Restricted	26,379	38,295
Depreciation Expense	(204,492)	(212,635)
Total Other Revenues (Expenses)	(67,925)	(51,841)
Change in Net Assets	\$ 103,169	\$ 236,935

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	2007	2006
Cash Flows from Operating Activities		
Tenant Revenue Received	\$ 531,795	\$ 540,284
Government Operating Grants Received	856,675	861,966
Other Revenue Received	6,650	20,113
General and Administrative Expenses Paid	(997,354)	(882,395)
Interest Received	151,859	140,388
Interest Paid	(253,246)	(265,360)
Net Cash Provided by Operating Activities	296,379	414,996
 Cash Flows from Investing Activities		
Purchases of Land, Structures, and Equipment	(192,280)	(28,462)
Purchase of Investments	(4,884,651)	(5,591,586)
Proceeds from Sale of Investments	4,908,834	5,388,850
Net Cash Used in Investing Activities	(168,097)	(231,198)
 Cash Flows from Capital and Related Financing Activities		
Increases/Decreases in Due To/Due From Related Entity	(6,064)	36,727
Payments to Retire Long-term Debt	(195,000)	(185,000)
Net Cash Used in Financing Activities	(201,064)	(148,273)
Decrease in Cash and Cash Equivalents	(72,782)	35,525
 Cash and Cash Equivalents - Beginning of Year	129,479	93,954
 Cash and Cash Equivalents - End of Year	\$ 56,697	\$ 129,479
 Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Change in Net Assets	\$ 103,169	\$ 236,935
Add Back Non-Cash Items:		
Depreciation Expense	204,492	212,635
Decrease (Increase) in Assets		
Accounts Receivable	10,941	(5,338)
Prepaid Expenses	876	(4,090)
Inventory	(19,937)	0
Increase (Decrease) in Liabilities		
Accounts Payable	(6,884)	10,177
Accrued Liabilities	4,535	(38,648)
Other Liabilities	(813)	3,325
Net Cash Provided by Operating Activities	\$ 296,379	\$ 414,996

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Beginning Net Assets	\$ 2,512,869	\$ 2,275,934
Change in Net Assets	<u>103,169</u>	<u>236,935</u>
Ending Net Assets	<u><u>\$ 2,616,038</u></u>	<u><u>\$ 2,512,869</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, 2008 AND 2007

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. 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 the U.S. Department of Housing and Urban Development under Housing Assistance Payments (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, 2008 AND 2007
(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, 2008 and 2007 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 \$543 and \$215 at June 30, 2008 and 2007, 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, 2008 and 2007, was \$2,263 and \$9,890, respectively.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(CONTINUED)

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

Investments

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

Income Tax Status

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

Cash and Cash Equivalents

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

Due to/Due from Related Entity

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

Use of Estimates

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

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

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

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(CONTINUED)

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

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

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

Deposits

The carrying amounts of the Corporation’s cash deposits were \$56,697 and \$129,479 at June 30, 2008 and 2007, respectively, with a \$56,697 and \$129,479 bank balance, respectively. Of the bank balance, \$56,697 and \$100,000 were insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2008 and 2007, 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 as permitted under Ohio Revised Code Section 135.

Investments

The Corporation’s investments are detailed below and consist of certificates of deposit 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:

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$ 56,697	\$ 129,479
The Bank of New York Mellon Trust Accounts	900,306	970,490
Certificates of Deposit	<u>2,209,000</u>	<u>2,163,000</u>
	<u>\$ 3,166,003</u>	<u>\$ 3,262,969</u>

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(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:

	2008	2007
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 15,589	\$ 84,824
Cash Restricted for Tenant Security Deposits	41,108	44,655
Unrestricted Investments	2,209,000	2,163,000
Temporarily Restricted Investments	900,306	970,490
	<u>\$ 3,166,003</u>	<u>\$ 3,262,969</u>

Temporarily Restricted Investments

In accordance with contractual provisions, portions of the Bank of New York Mellon trust funds are restricted for designated purposes related to the servicing of the debt.

NOTE 3: LAND, STRUCTURES, AND EQUIPMENT

	June 30, 2007	Additions	Deletions	June 30, 2008
Land	\$ 557,008	\$ 3,545	\$ 0	\$ 560,553
Buildings	7,111,589	186,787	0	7,298,376
Office Equipment	33,645	4,043	(1,356)	36,332
Maintenance Equipment	20,580	12,964	(2,055)	31,489
Construction in Progress	13,931	(13,931)	0	0
Total	7,736,753	193,408	(3,411)	7,926,750
Less: Accumulated Depreciation	(4,193,294)	(204,492)	2,283	(4,395,503)
Total	<u>\$ 3,543,459</u>	<u>\$ (11,084)</u>	<u>\$ (1,128)</u>	<u>\$ 3,531,247</u>

NOTE 4: BONDS PAYABLE

The Bank of New York Mellon 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, 2008, the outstanding balance is \$3,875,000.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007
(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>	<u>Yield %</u>
2009	\$ 210,000	\$ 240,338	\$ 450,338	6.375%	6.454%
2010	225,000	226,472	451,472	6.375%	6.454%
2011	240,000	211,650	451,650	6.375%	6.454%
2012	255,000	195,872	450,872	6.375%	6.454%
2013	270,000	179,138	449,138	6.375%	6.454%
2018-2018	1,630,000	606,263	2,236,263	6.375%	6.454%
2019-2020	1,045,000	74,747	1,119,747	6.375%	6.454%
Total	<u>\$ 3,875,000</u>	<u>\$ 1,734,480</u>	<u>\$ 5,609,480</u>		

NOTE 5: **RELATED PARTY TRANSACTIONS**

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

LMHA acts as managing agent for the Corporation and performs all financial and operating functions for the Corporation except for those administrative duties performed by the Trustee. The Corporation pays LMHA a managing fee for the services rendered, which totaled \$13,902 and \$13,942 for the fiscal years ended June 30, 2008 and 2007, respectively. Various operating expenses are allocated by LMHA to the component unit based on periodic 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, 2008 AND 2007
(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, 2008**

Project Revenues

Tenants' Rent and Other Charges	\$ 545,293	
HUD Operating Subsidy and Capital Grants	856,675	
Investment Income	<u>136,567</u>	
Total Operating Revenues		\$ 1,538,535

Project Expenses

Operating Salaries (b)	258,521	
Maintenance Salaries	38,394	
Employee Benefits	81,484	
Office and Administrative	58,870	
Utilities	223,098	
Property Taxes and Payment in Lieu of Taxes	29,457	
Insurance	36,558	
Professional and Consulting Fees	6,559	
Maintenance - Materials, Supplies, and Contracts (a)	199,922	
Other Expenses	<u>3,502</u>	
Total Operating Expenses		<u>936,365</u>
Operating Income		602,170

Less:

Trustee Fees	3,916	
Replacement Reserve Account Deposits	41,672	
Management Fee	<u>13,902</u>	
		<u>59,490</u>

Net Operating Income \$ 542,680

Debt Service Reserve Account Balance	\$ 268,679
Less: Debt Service Reserve Minimum Reserve Requirement	<u>(268,678)</u>
Excess (Deficit) Debt Service Reserve Funds	<u>\$ 1</u>

Maximum Annual Debt Service \$ 461,619

Debt Service Coverage Ratio 117.56%

(a) Not including replacement reserve reimbursements (\$23,308).

(b) Not including accrued compensated absence (\$3,134).

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
ANNUAL AUDITORS' CERTIFICATE
ASSET/LIABILITY PARITY TEST
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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	\$ 3,875,000
Debt Service Reserve Fund Balance	268,679
Replacement Reserve Account Balance	202,188
Current Reserve Account (Maximum \$21,000)	<u>17,426</u>
Total	<u><u>\$ 4,363,293</u></u>
 Outstanding Principal Balance	 <u><u>\$ 3,875,000</u></u>
 Asset/Liability Parity Percent	 <u><u>112.60%</u></u>

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SUMMARY OF BANK OF NEW YORK MELLON TRUST FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008**

	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, 2007	\$ 21,000	\$ 0	\$ 0	\$ 155,678	\$ 31,714	\$11,447	\$ 0	\$120,483	\$194,699	\$268,678	\$166,791	\$ 970,490
Receipts												
Housing assistance payments	856,675	0	0	0	0	0	0	0	0	0	0	856,675
Rental income	532,380	0	0	0	0	0	0	0	0	0	0	532,380
Interest income	1,494	400		5,716	942	452		2,213	3,400	8,955	2,807	26,379
Transfer from:												
Revenue fund	383	30,841	798,312	41,672	54,300	6,364	13,902	248,067	208,750		8,043	1,410,634
Interest account	1,886	0	0	0	0	0	0	0	0	0	0	1,886
Principal account	2,846	0	0	0	0	0	0	0	0	0	0	2,846
Debt service fund	7,616	0	0	0	0	0	0	0	0	0	0	7,616
Taxes and insurance	810	0	0	0	0	0	0	0	0	0	0	810
Cumulative revenue fund	319	0	0	0	0	0	0	0	0	0	0	319
Cumulative revenue subaccount	2,488	8,043	0	0	0	0	0	0	0	0	0	10,531
Total receipts	1,406,898	39,285	798,312	47,388	55,242	6,816	13,902	250,280	212,150	8,955	10,850	2,850,076
Disbursements												
Transfer to:												
LMHA	0	0	798,312	0	44,445	0	0	0	0	0	166,791	1,009,548
Current Revenue Fund	0	319	0	0	810	383	0	1,886	2,846	7,616	2,488	16,349
Operating expense account	798,312	0	0	0	0	0	0	0	0	0	0	798,312
Cumulative revenue account	30,841	0	0	0	0	0	0	0	0	0	8,043	38,884
Replacement reserve account	41,672	0	0	0	0	0	0	0	0	0	0	41,672
Tax and insurance fund	54,300	0	0	0	0	0	0	0	0	0	0	54,300
Revenue Fund	6,364	0	0	0	0	0	0	0	0	0	0	6,364
Management account	13,902	0	0	0	0	0	0	0	0	0	0	13,902
Principal account	208,750	0	0	0	0	0	0	0	0	0	0	208,750
Interest account	248,067	0	0	0	0	0	0	0	0	0	0	248,067
Cumulative revenue subaccount	8,043	0	0	0	0	0	0	0	0	0	0	8,043
Principal and interest payments	0	0	0	0	0	0	0	253,247	195,000	0	0	448,247
Insurance and tax expense	0	0	0	0	10,004	0	0	0	0	0	0	10,004
Trustee fees	221	81	0	875	132	69	0	327	554	1,339	318	3,916
Management fees	0	0	0	0	0	0	13,902	0	0	0	0	13,902
Total disbursements	1,410,472	400	798,312	875	55,391	452	13,902	255,460	198,400	8,955	177,641	2,920,259
Balance at June 30, 2008	\$ 17,426	\$38,884	\$ 0	\$ 202,190	\$ 31,565	\$17,811	\$ 0	\$115,303	\$208,449	\$268,678	\$ 0	\$ 900,306
Investment balance	\$ 21,000	\$ 0	\$ 0	\$ 155,678	\$ 31,714	\$11,447	\$ 0	\$120,483	\$194,699	\$268,678	\$166,791	\$ 970,490
Investments purchase	1,204,572	85,852	0	46,512	54,300	6,426	0	226,445	192,500	0	8,043	1,824,651
Investments sold	1,208,146	46,968	0	0	54,449	61	0	231,625	178,750	0	174,834	1,894,834
Balance at June 30, 2008	\$ 17,426	\$38,884	\$ 0	\$ 202,190	\$ 31,565	\$17,811	\$ 0	\$115,303	\$208,449	\$268,678	\$ 0	\$ 900,306

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	
<u>U.S. Department of Housing and Urban Development</u> Section 8 Housing	14.871	N/A	<u>\$ 856,675</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, 2008

NOTE 1: **BASIS OF PRESENTATION**

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

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the Lorain County Elderly Housing Corporation, Lorain, Ohio (the Corporation) (a nonprofit organization) as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated September 23, 2008. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lorain County Elderly Housing Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

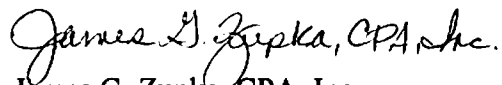
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

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 management, the Board of Trustees, others within the entity, and 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

September 23, 2008

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

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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, 2008. The Lorain County Elderly Housing Corporation's major federal program is 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 its major federal program 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 its major federal program for the fiscal year ended June 30, 2008.

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, 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 Corporation'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 a material misstatement of the financial statements will not be prevented or detected by the Lorain County Elderly Housing Corporation'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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and 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

September 23, 2008

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2008(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Section 8 Housing - CFDA# 14.871	
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.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
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, 2007.



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
FEBRUARY 12, 2009**