

**LORAIN METROPOLITAN
HOUSING AUTHORITY
LORAIN COUNTY
Single Audit
For the Year Ended June 30, 2014**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • 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 Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2013 through June 30, 2014. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 18, 2014

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LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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Perry & Associates
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INDEPENDENT AUDITOR'S REPORT

November 26, 2014

Lorain Metropolitan Housing Authority
Lorain County
1600 Kansas Avenue
Lorain, Ohio 44052

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lorain Metropolitan Housing Authority**, Lorain County, Ohio (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain Metropolitan Housing Authority, Lorain County, as of June 30, 2014 and the changes in its financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Financial Data Schedules presented on pages 33-36, the Schedule of Modernization Costs – Completed on page 37 and the Schedule of Units Under LMHA Management on page 38 present additional analysis as required by the United States Department of Housing and Urban Development and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the Authority'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 net position decreased by \$2,418,428, or 6.0 percent, during 2014. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net position. Net position was \$38,035,306 and \$40,453,734 for 2014 and 2013, respectively.
- The business-type activities' revenue decreased by \$3,018,775, or 8.8 percent, during 2014 and was \$31,060,245 and \$34,183,007 for 2014 and 2013, respectively.
- The total expenses decreased by \$704,798, or 2.0 percent. Total expenses were \$33,478,673 and \$34,183,471 for 2014 and 2013, respectively.

Financial Statements

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

The focus of the Statement of Net Position (the "unrestricted" net position) is designed to represent the net available liquid (non-capital) assets and deferred outflows of resources, net of liabilities and deferred inflows of resources, for the entire Authority. Net position (formerly net assets) are reported in three broad categories.

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

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

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)

The financial statements include a Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an income statement. This Statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, 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 Position is the “Changes in Net Position”, which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, 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 Authority 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.

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

Shelter Plus Care Program - This grant program, funded by the U.S. 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), an Ohio non-profit corporation, was organized for the purpose of providing housing for elderly persons of low to moderate income in the Lorain County area of northeastern Ohio. LCEHC consists of two 100 unit apartment complexes located in Elyria and Lorain and four homes located in Sheffield Village.

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

AUTHORITY STATEMENTS

Statement of Net Position

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

Table 1 - Statement of Net Position

	2014	2013
<u>Assets</u>		
Current and Other Assets	\$ 11,141,071	\$ 12,384,673
Capital Assets	30,185,841	31,629,926
Total Assets	41,326,912	44,014,599
<u>Liabilities</u>		
Current Liabilities	1,569,724	1,589,086
Long-Term Liabilities	1,721,882	1,971,779
Total Liabilities	3,291,606	3,560,865
<u>Net Position</u>		
Net Investment in Capital Assets	28,638,767	29,867,461
Restricted	1,373,422	2,122,802
Unrestricted	8,023,117	8,463,471
Total Net Position	\$ 38,035,306	\$ 40,453,734

For more detailed information, see the Statement of Net Position

Major Factors Affecting the Statement of Net Positions

Current and other assets were decreased by \$1,243,602, while current liabilities were decreased by \$19,362. Current assets, primarily cash and investments, decreased due to modernization projects completed at the AMP's during fiscal year 2014. Current liabilities decreased primarily due to the timing of work completion and invoicing on capital projects.

Capital assets decreased by \$1,444,085 from \$31,629,926 to \$30,185,841.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

For more detail, see the section Capital Assets and Debt Administration.

Table 2 - Change of Unrestricted Net Position

Unrestricted Net Position at June 30, 2013	\$ 8,463,471
Results of Operations:	(2,418,428)
Adjustments	
Depreciation (1)	2,950,739
Adjusted Results from Operations	532,311
Net Change in Restricted Assets (3)	(749,380)
Net Change in Capital Assets (2)	(223,285)
Unrestricted Net Position at June 30, 2014	\$ 8,023,117

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.
- (2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against results of operations, and therefore must be deducted.
- (3) The use of the Housing Choice Voucher Housing Assistance Payment balance from fiscal year 2013 for fiscal year 2014 expenses, the restriction of insurance proceeds, and the use of previously restricted investments and/or cash for specific modernization projects.

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

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

	2014	2013
<u>Revenue</u>		
Tenant Revenue - Rents and Other	\$ 2,706,106	\$ 2,571,557
Operating Subsidies and Grants	26,568,582	25,717,365
Capital Grants	1,080,841	3,424,872
Fraud Recovery	217,331	217,069
Investment Income	30,107	15,904
Other Revenues	457,278	2,132,253
Total Revenue	31,060,245	34,079,020
<u>Expenses</u>		
Administrative	5,295,860	5,289,870
Tenant Services	334,142	294,882
Utilities	1,823,902	1,696,404
Maintenance	3,256,316	3,169,480
Protective Services	345,275	380,308
General	1,260,710	1,320,357
Housing Assistance Payments	18,211,729	18,692,806
Loss on Disposal of Capital Assets	-	215,357
Depreciation	2,950,739	3,124,007
Total Expenses	33,478,673	34,183,471
Net Increase/(Decrease)	\$ (2,418,428)	\$ (104,451)

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

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

Total revenues decreased by \$3,018,775. This decrease is primarily the result of the timing differences in Capital Fund projects from year to year.

Total expenses decreased \$704,798. This decrease is primarily the result of decreased Housing Choice Voucher Assistance Payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$30,185,841 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$1,444,085 from the end of last year.

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

	2014	2013
Land	\$ 5,354,400	\$ 5,354,400
Buildings	84,367,703	83,309,855
Office Equipment	1,277,183	1,291,492
Maintenance Equipmenet/Vehicles	942,596	891,542
Construction in Progress	960,172	573,213
Total	<u>92,902,054</u>	<u>91,420,502</u>
Less: Accumulated Depreciation	<u>(62,716,213)</u>	<u>(59,790,576)</u>
Total	<u><u>\$ 30,185,841</u></u>	<u><u>\$ 31,629,926</u></u>

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

Table 5 - Change in Capital Assets - June 30, 2014

Beginning Balance - July 1, 2013	\$ 31,629,926
Additions	1,506,654
Retirements, Net of Accumulated Depreciation	-
Depreciation	<u>(2,950,739)</u>
Ending Balance - June 30, 2014	<u><u>\$ 30,185,841</u></u>
This year's major additions are:	
Capital Improvements Program	\$ 1,444,807
Equipment Purchases	61,847
Land Purchases	-
Total Additions	<u><u>\$ 1,506,654</u></u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$1,317,564 in debt outstanding compared to \$1,545,672 last year, a \$228,108 decrease. No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	2014	2013
Refinance of Construction and Acquisition	\$ 1,545,672	\$ 1,762,465
Add: Adjustment to interest amortization	1,402	-
Less: Current Portion	(229,510)	(216,793)
Total Outstanding Debt	<u>\$ 1,317,564</u>	<u>\$ 1,545,672</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the U.S. Department of Housing and Urban Development and the subsidies provided to the Authority by the U.S. 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
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Current Assets

Cash and Cash Equivalents:	
Cash and Cash Equivalents:	\$ 5,118,072
Cash - Restricted	1,487,593
Cash - Tenant Security Deposits	215,052
Total Cash and Cash Equivalents	<u>6,820,717</u>

Accounts and Notes Receivable:	
Accounts Receivable - HUD Other Projects	327,642
Accounts Receivable - Miscellaneous	28,028
Accounts Receivable - Tenants, Net	13,677
Notes, Loans, and Mortgages Receivable - Current	19,447
Fraud Recovery Receivable, net	98,761
Accrued Interest Receivable	2,670
Total Accounts and Notes Receivable	<u>490,225</u>

Other Current Assets:	
Investments - Unrestricted	2,000,000
Inventories, Net	131,347
Prepaid Expenses and Other Assets	182,386
Total Other Current Assets	<u>2,313,733</u>
Total Current Assets	<u>9,624,675</u>

Non-Current Assets

Capital Assets	
Non-Depreciable Capital Assets	6,314,572
Depreciable Capital Assets, Net	23,871,269
Total Capital Assets	<u>30,185,841</u>

Other Non-Current Assets	
Notes, Loans, and Mortgages Receivable, Non-Current	1,516,396
Total Other Non-Current Assets	<u>1,516,396</u>
Total Non-Current Assets	<u>31,702,237</u>

TOTAL ASSETS	<u>\$ 41,326,912</u>
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See notes to the basic financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2014
(CONTINUED)

LIABILITIES

Current Liabilities

Accounts Payable	\$ 5,442
Accrued Wages and Payroll Taxes	274,683
Accrued Compensated Absences	346,928
Accrued Interest Payable	6,425
Accounts Payable - PILOT and Other	46,766
Tenant Security Deposits	196,026
Current Portion of Long-Term Debt	229,510
Other Current Liabilities	463,944
Total Current Liabilities	<u>1,569,724</u>

Non-Current Liabilities

Long-Term Debt, Net of Current Portion	1,317,564
Accrued Compensated Absences	292,140
Non-Current Liabilities-FSS Escrow and Others	112,178
Total Non-Current Liabilities	<u>1,721,882</u>
TOTAL LIABILITIES	<u>3,291,606</u>

NET POSITION

Net Investment in Capital Assets	28,638,767
Restricted	1,373,422
Unrestricted	8,023,117
TOTAL NET POSITION	<u>38,035,306</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$41,326,912</u>
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See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Operating Revenue</u>	
Net Tenant Rental Revenue	\$ 2,502,429
Tenant Revenue-Other	203,677
	<u>2,706,106</u>
HUD PHA Operating Grants	26,568,582
Fraud Recovery	217,331
Other Revenue	457,278
Total Operating Revenues	<u>29,949,297</u>
<u>Operating Expenses</u>	
Administrative	5,295,860
Tenant Services	334,142
Utilities	1,823,902
Ordinary Maintenance And Operation	3,256,316
Protective Services	345,275
Insurance Premiums	394,073
Other General Expenses	284,070
Payments In Lieu Of Taxes	46,766
Bad Debt	157,103
Extraordinary Maintenance	263,646
Casualty Losses - Non-Capitalized	18,857
Housing Assistance Payments	18,211,729
Depreciation Expense	2,950,739
Total Operating Expenses	<u>33,382,478</u>
Operating Income	<u>(3,433,181)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income - Unrestricted	29,958
Investment Income - Restricted	149
Interest Expense	(96,195)
Total Non-Operating Revenues (Expenses)	<u>(66,088)</u>
(Loss) Before Capital Contributions and Grants	<u>(3,499,269)</u>
Capital Grants	1,080,841
Change In Net Position	(2,418,428)
Total Net Position-Beginning	<u>40,453,734</u>
Total Net Position-Ending	<u>\$ 38,035,306</u>

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Cash Flows from Operating Activities</u>	
Tenant Revenue Received	\$ 2,710,599
Other Revenue Received	668,160
General and Administrative Expenses Paid	<u>(30,571,277)</u>
Net Cash Provided (Used) by Operating Activities	<u>(27,192,518)</u>
<u>Cash flows from Non-Capital Financing Activities</u>	
Government Operating Grants Received	<u>26,560,849</u>
Net Cash Provided (Used) by Financing Activities	<u>26,560,849</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Government Capital Grants Received	812,684
Capital Contributions	-
Purchases of Land, Structures and Equipment	(1,506,654)
Total Payments to Retire Long Term Debt	(312,480)
Cash from Sale of Capital Assets	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,006,450)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of Investments	(2,000,000)
Proceeds from Sale of Investments	2,000,000
Interest Received	30,102
Issuance of Notes Receivable	<u>(270,438)</u>
Net Cash Provided (Used) by Investing Activities	<u>(240,336)</u>
Increase in Cash and Cash Equivalents	(1,878,455)
Cash and Cash Equivalents - Beginning of Year	<u>8,699,172</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,820,717</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	<u>\$ (3,433,181)</u>
Adjustments to Change in Net Position	
HUD PHA operating grants	(26,568,582)
Add Back Non-Cash Items:	
Depreciation Expense	2,950,739
Decrease (Increase) in Operating Assets:	
Accounts Receivable	(7,388)
Prepaid Expenses	(95,064)
Inventory	13,932
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	4,137
Accrued Liabilities	(59,395)
Other Liabilities	2,284
Total Adjustments	<u>(23,759,337)</u>
Net Cash Used by Operating Activities	<u>\$ (27,192,518)</u>

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1: DESCRIPTION OF THE ENTITY

The Lorain Metropolitan Housing Authority (“the Authority”) is a political subdivision organized under laws of the State of Ohio. The Authority 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. 61, *The Financial Reporting Entity – Amendments of GASB Statements No. 14 and No. 34*, in that financial statements include all organizations, activities, and functions for which the Authority 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 and there is a financial benefit or burden. 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. 61, the Lorain County Elderly Housing Corporation (LCEHC), an Ohio non-profit corporation, is a component unit of the Authority.

Lorain Metropolitan Housing Authority

The Authority 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 the Authority and HUD, the Authority 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, the Authority participates in the Section 8 Housing Assistance Payments Program (C-10009). Under the Section 8 Housing Program, the Authority 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, the Authority enters into Housing Assistance Payment (“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.

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

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

Blended Component Unit

The Lorain County Elderly Housing Corporation (LCEHC), an Ohio non-profit corporation, is a component unit of the Authority 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 Directors of the Authority. LCEHC is a component unit of the Authority and the financial results and financial activity of the LCEHC are included as part of the financial statements of the Authority. A separate financial statement is issued for LCEHC.

The Authority acts as managing agent for the LCEHC and performs all financial and operating functions for the LCEHC. The LCEHC pays the Authority a management fee for the services rendered.

Related Organization

LMHA, Inc. is a related, though a legally separate, not-for-profit corporation. LMHA, Inc. meets the Board appointment criteria but not the financial burden relationship criteria of the related GASB pronouncements and is not considered a part of the Authority's reporting entity. LMHA, Inc. is the single member of the LMHA Oberlin Homes MM, LLC, which is the general partner of LMHA Oberlin Homes, LLC. LMHA Oberlin Homes, LLC, is a partnership which substantially rehabilitated 51 units of public housing in Oberlin, Ohio, with funding from 9 percent Low Income Housing Tax Credits and a loan from the Authority.

Joint Venture

The Authority is a member of Housing Authority Property Insurance, Inc. ("HAPI"). HAPI is a non-profit, 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 Authority's Board of Directors for actions, operations, and fiscal matters of HAPI, and the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within the Authority's reporting entity.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

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

Basis of Accounting

The Authority 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 the Authority 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.

Reporting Entity

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

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 Directors approval, the Authority writes off unpaid tenants’ accounts receivable balances for which there has been no payment activity for 30 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. The revenues associated with these accounts receivables have been recognized and an allowance account has been established for uncollectable amounts.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

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

Notes Receivable Current

Notes receivable current represents the amount from tenant repayment agreements created from tenants who owe specific payments for a specific term. The revenues associated with these notes receivable have been recognized.

Notes Receivable Non-Current

Notes receivable non-current represents a loan of capital fund resources to LMHA Oberlin Homes, LLC for the purpose of substantial rehabilitation of 51 units in 41 single family homes in the City of Oberlin as part of a Low Income Housing Tax Credit project.

Investments

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

Cash - Restricted

Restricted cash for the Authority represents amounts received from tenants for security deposits, FSS program escrow accounts, insurance proceeds from casualty loss, and specific modernization projects as allowed by PIH notice 12-2 and extended by PIH Notice 12-43.

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

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

Compensated Absences

The Authority 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 cannot be carried forward from the anniversary date of one fiscal year to the anniversary date of the next fiscal year. The Executive Director can extend the carryover an additional 30 days. The Board of Directors can also extend the carryover, upon written approval. Employees are not eligible to receive monetary compensation for vacation leave in lieu of time off. The Authority and LCEHC record a liability for all vacation leave earned.

Sick leave balances are subject to payment to nonunion employees after ten (10) years of service at the Authority. 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 hours, up to a maximum to 960 hours. The Authority and LCEHC record a liability for unused sick leave to the extent that it is probable that payment will be made.

Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Authority, these revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue. Operating expenses are necessary costs incurred for day to day operations.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

Interprogram Due To and Due From Other Entities

Payables and receivables between the Authority 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 (on REAC) to the Statement of Net Position.

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, deferred outflows of resources, deferred inflows of resources, revenues, and expenses at and during the reported period. Actual results could differ from those estimates.

Budgetary Accounting

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

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 the Authority 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 carrying amount of the Authority's deposits was \$6,820,717 at June 30, 2014, which includes \$200 at June 30, 2014, of petty cash, and the bank balance was \$7,097,736 at June 30, 2014. The difference represents outstanding checks and other in-transit transactions of the bank balance. \$250,000 was covered by federal depository insurance and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

Investments

The Authority 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 the Authority’s cash flow needs and return on investment are secondary goals of the policy. The Authority does not purchase any form of derivative. The carrying amount of the Authority’s investments was \$2,000,000 at June 30, 2014, 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.

In accordance with the Ohio Revised Code and the Authority’s investment policy, the Authority is 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.

Interest Rate Risk

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

Credit Risk

The Authority invests in certificates of deposits that are covered by \$250,000 FDIC insurance and the balance is collateralized by pledged securities held in joint custody at the Federal Reserve Bank.

Concentration of Credit Risk

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

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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

Unrestricted Cash and Cash Equivalents *	\$ 5,118,072
Restricted Cash and Cash Equivalents	1,702,645
Unrestricted Investments	<u>2,000,000</u>
Total	<u>\$ 8,820,717</u>
Carrying Amounts of Deposits	\$ 6,820,717
Carrying Amounts of Investments	<u>2,000,000</u>
Total	<u>\$ 8,820,717</u>

* Includes Petty Cash

NOTE 4: RESTRICTED CASH

The Authority had the following restricted cash:

Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 409,919
Insurance Proceeds and Modernization Projects	964,544
Tenant Security Deposits	215,052
Family Self-Sufficiency Escrow Balance	<u>113,130</u>
Total Restricted Cash	<u>\$ 1,702,645</u>

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 5,354,400	\$ 0	\$ 0	\$ 5,354,400
Construction in Progress	573,213	386,959	0	960,172
Total Capital Assets Not Being Depreciated	5,927,613	386,959	0	6,314,572
<i>Capital Assets Being Depreciated</i>				
Buildings	83,309,855	1,057,848	0	84,367,703
Office Equipment	1,291,492	7,328	(21,637)	1,277,183
Maintenance Equipment	511,036	13,765	(3,465)	521,336
Vehicles	380,506	40,754	0	421,260
Total Capital Assets Being Depreciated	85,492,889	1,119,695	(25,102)	86,587,482
<i>Less Accumulated Depreciation</i>				
Buildings	(58,397,160)	(2,737,733)	0	(61,134,893)
Office Equipment	(731,665)	(145,298)	25,102	(851,861)
Maintenance Equipment	(355,238)	6,183	0	(349,055)
Vehicles	(306,513)	(73,891)	0	(380,404)
Total Accumulated Depreciation	(59,790,576)	(2,950,739)	25,102	(62,716,213)
Total Capital Assets Being Depreciated, Net	25,702,313	(1,831,044)	0	23,871,269
Capital Assets, Net	\$ 31,629,926	\$ (1,444,085)	\$ -	\$ 30,185,841

NOTE 6: DEBT AND LEASE OBLIGATIONS

Long-Term Debt

Mortgage Loan

On April 4, 2012, a loan agreement in the amount of \$2,000,000 with Lorain National Bank was executed for the purpose of providing funds to call outstanding LCEHC bonds (stated rate of 6.375 percent). The loan is payable in monthly installments of \$26,040, including interest at 5.75 percent.

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

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

NOTE 6: DEBT AND LEASE OBLIGATIONS (Continued)

Fiscal Year	Principal Amount	Interest Amount	Total Amount	Interest Rate (%)
2015	\$ 229,510	\$ 82,971	\$ 312,481	5.75%
2016	243,060	69,421	312,481	5.75%
2017	257,411	55,070	312,481	5.75%
2018	272,608	39,873	312,481	5.75%
2019	288,703	23,778	312,481	5.75%
2020	255,773	6,847	262,620	5.75%
	<u>\$ 1,547,065</u>	<u>\$ 277,960</u>	<u>\$ 1,825,025</u>	

A reconciliation of long-term liabilities is shown below:

	Balance July 1, 2013	Additions	Retired	Balance June 30, 2014	Due Within One Year
Mortgage Loan	\$ 1,762,465	\$ 1,402	\$ 216,793	\$ 1,547,074	\$ 229,510
Compensated Absences	656,313	369,330	386,575	639,068	-
FSS Escrows	119,349	77,820	84,991	112,178	-
Total 2014	<u>\$ 2,538,127</u>	<u>\$ 448,552</u>	<u>\$ 688,359</u>	<u>\$ 2,298,320</u>	<u>\$ 229,510</u>

Short Term Debt

The Authority has not engaged in short-term borrowing as characterized by GASB Statement No. 38 and, therefore, has no short-term debt obligations for the fiscal year ended June 30, 2014.

Lease Obligations

The Authority did not lease office equipment in the fiscal year ended June 30, 2014.

LORAIN METROPOLITAN HOUSING AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

The Authority 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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 report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, or by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

For the period ended June 30, 2014, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Authority's contribution rate for pension benefits was 14.00 percent of covered payroll for 2013 and 2014. The Ohio Revised Code provides statutory authority for member and employer contributions. The Authority's required contributions for pension obligations to the plans for the fiscal years ended June 30, 2014, 2013, and 2012 were \$653,569, \$651,814, and \$701,385, respectively.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, or by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

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

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014 and 2013, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 4.0 percent from April 1, 2012 through December 31, 2012. The rate changed to 1.0 percent effective January 1, 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Information from Employer's Records

Actual Authority contributions for the year ended June 30, 2014, 2013, and 2012 which were used to fund post-employment benefits were \$46,684, \$117,073 and \$190,113 respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

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

D. OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by OPERS Board of Trustees on September 19, 2012, with a Transition Plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 9: **INSURANCE COVERAGE**

The Authority is covered for property damage, general liability, auto damage and liability, and public officials liability through various insurers. Deductible and coverage limits are summarized below:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 5,000	\$ 138,637,211
General Liability	0	1,000,000/2,000,000
Vehicle	250/500	ACV/1,000,000
Directors, Officers, and Trustees Liability	10,000	1,000,000/1,000,000
Blanket Position Bond	5,000	500,000
Umbrella Liability	10,000	3,000,000/3,000,000

The Authority has contracted with 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.

Additionally, workers' compensation is maintained through the State of Ohio, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan for employee health care benefits.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 10: RESTRICTED NET POSITION

The Housing Choice Voucher Program requires that the equity portion attributable to the excess Housing Assistance payments be reflected as restricted net assets. In addition, funds in the Public Housing Program have been earmarked for future development. The corresponding funds are reflected in the restricted cash accounts.

Public Housing Funds	\$ 963,503
Restricted Housing Choice Voucher Housing Assistance	
Housing Choice voucher Only HAP Checking	23,728
Money Market Accounts (HAP Portion)	386,191
Total	\$ 1,373,422

NOTE 11: CONCENTRATIONS

The Authority receives the majority of its revenue from HUD and is subject to mandated changes by HUD and changes in Congressional acts.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Grants

The Authority and its component unit received financial assistance from a federal agency in the form of grants and from a county agency using a grant to provide four houses to the component unit. The disbursement of funds and assets 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 the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at June 30, 2014.

Contingencies

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 13: GASB STATEMENT IMPLEMENTATION

For 2014, the Authority implemented GASB No. 66, Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62.

The objective of GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Authority.

NOTE 14: CAPITAL CONTRIBUTIONS

The Lorain County Elderly Housing Corporation entered into an agreement with Lorain County to accept four houses built utilizing Neighborhood Stabilization program (NSP) funds for the purpose of renting these units to tenants whose income is below 120 percent of adjusted median income for a period of 20 years. The 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.

NOTE 15: BLENDED COMPONENT UNITS

As of June 30, 2014, the condensed Statement of Net Position for the blended component unit is as follows:

<u>Assets</u>	
Current Assets	\$ 1,547,622
Noncurrent Assets	
Non-depreciable capital assets	<u>3,171,566</u>
Total Assets	<u>4,719,188</u>
<u>Liabilities</u>	
Current Liabilities	\$ 356,693
Noncurrent Liabilities	<u>1,320,129</u>
Total Liabilities	<u>1,676,822</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,624,492
Unrestricted	<u>1,417,874</u>
Total Net Position	<u>\$ 3,042,366</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

NOTE 15: BLENDED COMPONENT UNITS (Continued)

As of June 30, 2014, the condensed Statement of Activities for the blended component unit is as follows:

Operating Revenue	
Total Tenant Revenue	\$ 641,008
HUD PHA Operating Grants	823,372
Other Revenue	29,727
Total Operating Revenue	<u>1,494,107</u>
Operating Expenses	
Depreciation	320,725
Other Operating Expenses	1,215,902
Total Operating Expenses	<u>1,536,627</u>
Operating Income	<u>(42,520)</u>
Nonoperating Revenue(Expense)	
Investment Income-Unrestricted	1,903
Interest Expense	(96,195)
Total Nonoperating Revenue(Expense)	<u>(94,292)</u>
Capital Contributions	
Changes in Net Position	<u>(136,812)</u>
Beginning Net Position	3,179,178
Ending Net Position	<u>\$ 3,042,366</u>

As of June 30, 2014, the condensed Statement of Cash Flows for the blended component unit is as follows:

Net Cash Provided by Operating Activities	\$ 162,956
Net Cash Used in Investing Activities	157,481
Net Cash Used in Financing Activities	(215,391)
Net Increase in Cash and Cash Equivalents	<u>105,046</u>
Beginning Cash and Cash Equivalents	<u>1,387,688</u>
Ending Cash and Cash Equivalents	<u>\$ 1,492,734</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Low Income Housing Assistance Programs:		
Section 8 Housing Choice Voucher	14.871	<u>\$ 19,455,576</u>
Public Housing - Operating Subsidy	14.850	<u>5,552,255</u>
Public Housing Capital Fund Program	14.872	<u>1,350,889</u>
Section 8 New Construction	14.182	<u>823,372</u>
Shelter Plus Care	14.238	<u>351,563</u>
Resident Opportunity and Supportive Services Grant	14.870	<u>115,768</u>
Total U.S. Department of Housing and Urban Development		<u><u>27,649,423</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 27,649,423</u></u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: **PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the federal grant activity of the Authority. 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.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2014

	Project Total	14.870 Resident Opportunity and Supportive	14.871 Housing Choice Vouchers	Component Unit - Blended	14.238 Shelter Plus Care	Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,849,647	\$0	\$186,563	\$1,438,684		\$211,132	\$1,432,046	\$5,118,072	\$0	\$5,118,072
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	\$1,006,800		\$479,752					\$1,486,552		\$1,486,552
114 Cash - Tenant Security Deposits	\$150,865			\$54,050		\$10,137		\$215,052		\$215,052
115 Cash - Restricted for Payment of Current Liabilities	\$1,041							\$1,041		\$1,041
100 Total Cash	\$3,008,353	\$0	\$666,315	\$1,492,734	\$0	\$221,269	\$1,432,046	\$6,820,717	\$0	\$6,820,717
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$311,644	\$15,998						\$327,642		\$327,642
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous			\$1,790			\$26,238		\$28,028		\$28,028
126 Accounts Receivable - Tenants	\$12,486			\$2,501		\$99		\$15,086		\$15,086
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,329			-\$80		\$0		-\$1,409		-\$1,409
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0			\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$19,428			\$19				\$19,447		\$19,447
128 Fraud Recovery	\$39,907		\$85,628	\$1,178				\$126,713		\$126,713
128.1 Allowance for Doubtful Accounts - Fraud	-\$3,542		-\$24,382	-\$28				-\$27,952		-\$27,952
129 Accrued Interest Receivable	\$2,670							\$2,670		\$2,670
120 Total Receivables, Net of Allowances for Doubtful	\$381,264	\$15,998	\$63,036	\$3,590	\$0	\$26,337	\$0	\$490,225	\$0	\$490,225
131 Investments - Unrestricted	\$2,000,000							\$2,000,000		\$2,000,000
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current										
142 Prepaid Expenses and Other Assets	\$99,249		\$23,619	\$30,926		\$350	\$28,242	\$182,386		\$182,386
143 Inventories	\$97,886			\$21,751			\$48,466	\$168,103		\$168,103
143.1 Allowance for Obsolete Inventories	-\$5,493			-\$1,379			-\$29,884	-\$36,756		-\$36,756
144 Inter Program Due From						\$11,162		\$11,162	-\$11,162	\$0
145 Assets Held for Sale										
150 Total Current Assets	\$5,581,259	\$15,998	\$752,970	\$1,547,622	\$0	\$259,118	\$1,478,870	\$9,635,837	-\$11,162	\$9,624,675
161 Land	\$4,533,358		\$69,400	\$333,878		\$417,764		\$5,354,400		\$5,354,400
162 Buildings	\$72,802,598		\$1,010,838	\$8,616,038		\$636,109	\$1,302,122	\$84,367,705		\$84,367,705
163 Furniture, Equipment & Machinery - Dwellings	\$515,707			\$228,415			\$198,472	\$942,594		\$942,594
164 Furniture, Equipment & Machinery - Administration	\$124,882	\$2,747	\$484,506	\$51,428		\$27,286	\$586,335	\$1,277,184		\$1,277,184
165 Leasehold Improvements										
166 Accumulated Depreciation	-\$54,030,049	-\$2,171	-\$760,760	-\$6,058,193		-\$221,770	-\$1,643,271	-\$62,716,214		-\$62,716,214
167 Construction in Progress	\$936,687					\$23,485		\$960,172		\$960,172
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated	\$24,883,183	\$576	\$803,984	\$3,171,566	\$0	\$882,874	\$443,658	\$30,185,841	\$0	\$30,185,841

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2014

	Project Total	14.870 Resident Opportunity and Supportive	14.871 Housing Choice Vouchers	Component Unit - Blended	14.238 Shelter Plus Care	Business Activities	COCC	Subtotal	ELIM	Total
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$4,527			\$651		\$50	\$214	\$5,442		\$5,442
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$118,797	\$4,745	\$45,557	\$14,493		\$19,239	\$71,852	\$274,683		\$274,683
322 Accrued Compensated Absences - Current Portion	\$135,095		\$63,059	\$8,759			\$140,015	\$346,928		\$346,928
324 Accrued Contingency Liability										
325 Accrued Interest Payable				\$6,425				\$6,425		\$6,425
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$16,851			\$29,915				\$46,766		\$46,766
341 Tenant Security Deposits	\$139,653			\$52,378		\$3,995		\$196,026		\$196,026
342 Unearned Revenue										
343 Current Portion of Long-term Debt - Capital				\$229,510				\$229,510		\$229,510
344 Current Portion of Long-term Debt - Operating										
345 Other Current Liabilities				\$50			\$11,375	\$11,425		\$11,425
346 Accrued Liabilities - Other	\$399,770		\$7,863	\$14,512		\$20,864	\$9,510	\$452,519		\$452,519
347 Inter Program - Due To	\$0	\$11,162						\$11,162	-\$11,162	\$0
348 Loan Liability - Current										
310 Total Current Liabilities	\$814,693	\$15,907	\$116,479	\$356,693	\$0	\$44,148	\$232,966	\$1,580,886	-\$11,162	\$1,569,724
351 Long-term Debt, Net of Current - Capital				\$1,317,564				\$1,317,564		\$1,317,564
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	\$44,792		\$67,386					\$112,178		\$112,178
354 Accrued Compensated Absences - Non Current	\$76,390		\$73,707	\$2,565			\$139,478	\$292,140		\$292,140
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$121,182	\$0	\$141,093	\$1,320,129	\$0	\$0	\$139,478	\$1,721,882	\$0	\$1,721,882
300 Total Liabilities	\$935,875	\$15,907	\$257,572	\$1,676,822	\$0	\$44,148	\$372,444	\$3,302,768	-\$11,162	\$3,291,606
400 Deferred Inflow of Resources										
508.4 Net Investment in Capital Assets	\$24,883,183	\$576	\$803,984	\$1,624,492		\$882,874	\$443,658	\$28,638,767		\$28,638,767
511.4 Restricted Net Position	\$963,503		\$409,919					\$1,373,422		\$1,373,422
512.4 Unrestricted Net Position	\$5,198,277	\$91	\$85,479	\$1,417,874	\$0	\$214,970	\$1,106,426	\$8,023,117		\$8,023,117
513 Total Equity - Net Assets / Position	\$31,044,963	\$667	\$1,299,382	\$3,042,366	\$0	\$1,097,844	\$1,550,084	\$38,035,306	\$0	\$38,035,306
600 Total Liab., Def. Inflow of Res., and Equity - Net	\$31,980,838	\$16,574	\$1,556,954	\$4,719,188	\$0	\$1,141,992	\$1,922,528	\$41,338,074	-\$11,162	\$41,326,912

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2014**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Component Unit - Blended	14.238 Shelter Plus Care	Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,834,318			\$632,066		\$36,045		\$2,502,429		\$2,502,429
70400 Tenant Revenue - Other	\$194,415			\$8,942		\$320		\$203,677		\$203,677
70500 Total Tenant Revenue	\$2,028,733	\$0	\$0	\$641,008	\$0	\$36,365	\$0	\$2,706,106	\$0	\$2,706,106
70600 HUD PHA Operating Grants	\$5,822,303	\$115,768	\$19,455,576	\$823,372	\$351,563			\$26,568,582		\$26,568,582
70610 Capital Grants	\$1,080,841							\$1,080,841		\$1,080,841
70710 Management Fee							\$1,446,798	\$1,446,798	-\$1,446,798	\$0
70720 Asset Management Fee							\$172,680	\$172,680	-\$172,680	\$0
70730 Book Keeping Fee							\$317,329	\$317,329	-\$317,329	\$0
70740 Front Line Service Fee							\$72,295	\$72,295	-\$72,295	\$0
70750 Other Fees							\$29,349	\$29,349		\$29,349
70700 Total Fee Revenue							\$2,038,451	\$2,038,451	-\$2,009,102	\$29,349
71100 Investment Income - Unrestricted	\$9,224		\$786	\$1,903		\$202	\$1,447	\$13,562		\$13,562
71200 Mortgage Interest Income	\$16,396							\$16,396		\$16,396
71400 Fraud Recovery	\$66,342		\$147,658	\$3,331				\$217,331		\$217,331
71500 Other Revenue	\$122,321		\$17,795	\$26,396		\$25,200	\$273,777	\$465,489	-\$37,560	\$427,929
71600 Gain or Loss on Sale of Capital Assets	\$0							\$0		\$0
72000 Investment Income - Restricted			\$149					\$149		\$149
70000 Total Revenue	\$9,146,160	\$115,768	\$19,621,964	\$1,496,010	\$351,563	\$61,767	\$2,313,675	\$33,106,907	-\$2,046,662	\$31,060,245
91100 Administrative Salaries	\$984,293		\$763,095	\$196,270			\$1,141,106	\$3,084,764		\$3,084,764
91200 Auditing Fees	\$12,800		\$12,800	\$6,400			\$328	\$32,328		\$32,328
91300 Management Fee	\$1,029,196		\$307,479	\$105,335	\$35,682			\$1,477,692	-\$1,460,358	\$17,334
91310 Book-keeping Fee	\$124,809		\$192,174	\$345				\$317,328	-\$317,328	\$0
91400 Advertising and Marketing	\$11,728			\$17,835		\$432	\$20,680	\$50,675		\$50,675
91500 Employee Benefit contributions -	\$448,296		\$352,585	\$71,977			\$433,018	\$1,305,876		\$1,305,876
91600 Office Expenses	\$264,955		\$127,659	\$37,325		\$5,427	\$207,254	\$642,620	-\$931	\$641,689
91700 Legal Expense	\$41,266		\$22,250	\$2,825			\$51,965	\$118,306		\$118,306
91800 Travel	\$1,699		\$298	\$605			\$1,986	\$4,588		\$4,588
91900 Other	\$14,307	\$7,838	\$5,058	\$6,825		\$1,191	\$29,081	\$64,300	-\$24,000	\$40,300
91000 Total Operating - Administrative	\$2,933,349	\$7,838	\$1,783,398	\$445,742	\$35,682	\$7,050	\$1,885,418	\$7,098,477	-\$1,802,617	\$5,295,860
92000 Asset Management Fee	\$172,200			\$480				\$172,680	-\$172,680	\$0
92100 Tenant Services - Salaries	\$61,875	\$80,053	\$58,835	\$8,930				\$209,693		\$209,693
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant	\$26,338	\$31,454	\$17,247	\$4,170				\$79,209		\$79,209
92400 Tenant Services - Other	\$44,265			\$883			\$92	\$45,240		\$45,240
92500 Total Tenant Services	\$132,478	\$111,507	\$76,082	\$13,983	\$0	\$0	\$92	\$334,142	\$0	\$334,142
93100 Water	\$318,984		\$721	\$39,874		\$2,248	\$435	\$362,262		\$362,262
93200 Electricity	\$353,499		\$17,608	\$184,520		\$4,070	\$9,759	\$569,456		\$569,456
93300 Gas	\$260,305		\$9,919	\$488		\$7,181	\$5,497	\$283,390		\$283,390
93600 Sewer	\$529,801		\$901	\$74,313		\$3,280	\$499	\$608,794		\$608,794
93000 Total Utilities	\$1,462,589	\$0	\$29,149	\$299,195	\$0	\$16,779	\$16,190	\$1,823,902	\$0	\$1,823,902
94100 Ordinary Maintenance and Operations -	\$1,005,964			\$71,191		\$2,637	\$91,952	\$1,171,744		\$1,171,744
94200 Ordinary Maintenance and Operations -	\$279,330		\$4,012	\$47,514		\$1,771	\$61,757	\$394,384		\$394,384
94300 Ordinary Maintenance and Operations -	\$999,093		\$3,257	\$152,289		\$18,370	\$60,712	\$1,233,721	-\$71,365	\$1,162,356
94500 Employee Benefit Contributions - Ordinary	\$448,101			\$35,966		\$1,199	\$42,566	\$527,832		\$527,832
94000 Total Maintenance	\$2,732,488	\$0	\$7,269	\$306,960	\$0	\$23,977	\$256,987	\$3,327,681	-\$71,365	\$3,256,316

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2014**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Component Unit - Blended	14.238 Shelter Plus Care	Business Activities	COCC	Subtotal	ELIM	Total
95100 Protective Services - Labor	\$42,594			\$6,142			\$2,647	\$51,383		\$51,383
95200 Protective Services - Other Contract Costs	\$264,821			\$14,006				\$278,827		\$278,827
95500 Employee Benefit Contributions - Protective	\$12,495			\$1,796			\$774	\$15,065		\$15,065
95000 Total Protective Services	\$319,910	\$0	\$0	\$21,944	\$0	\$0	\$3,421	\$345,275	\$0	\$345,275
96110 Property Insurance	\$181,408		\$2,587	\$12,600		\$1,337	\$645	\$198,577		\$198,577
96120 Liability Insurance	\$44,073		\$10,718	\$8,105		\$659	\$650	\$64,205		\$64,205
96130 Workmen's Compensation	\$32,654		\$13,128	\$3,981			\$19,085	\$68,848		\$68,848
96140 All Other Insurance	\$33,695		\$3,982	\$5,590			\$19,176	\$62,443		\$62,443
96100 Total insurance Premiums	\$291,830	\$0	\$30,415	\$30,276	\$0	\$1,996	\$39,556	\$394,073	\$0	\$394,073
96200 Other General Expenses	\$226,043		\$36,992	\$6,603	-\$1	\$2	\$213	\$269,852		\$269,852
96210 Compensated Absences	-\$18,838	-\$3,669	-\$6,714	-\$2,255			\$15,063	-\$16,413		-\$16,413
96300 Payments in Lieu of Taxes	\$16,851			\$29,915				\$46,766		\$46,766
96400 Bad debt - Tenant Rents	\$115,116		\$31,108	\$10,879				\$157,103		\$157,103
96800 Severance Expense	\$26,115			\$84			\$4,432	\$30,631		\$30,631
96000 Total Other General Expenses	\$365,287	-\$3,669	\$61,386	\$45,226	-\$1	\$2	\$19,708	\$487,939	\$0	\$487,939
96710 Interest of Mortgage (or Bonds) Payable				\$96,195				\$96,195		\$96,195
96700 Total Interest Expense and Amortization	\$0	\$0	\$0	\$96,195	\$0	\$0	\$0	\$96,195	\$0	\$96,195
96900 Total Operating Expenses	\$8,410,131	\$115,676	\$1,987,699	\$1,260,001	\$35,681	\$49,804	\$2,221,372	\$14,080,364	-\$2,046,662	\$12,033,702
97000 Excess of Operating Revenue over	\$736,029	\$92	\$17,634,265	\$236,009	\$315,882	\$11,963	\$92,303	\$19,026,543	\$0	\$19,026,543
97100 Extraordinary Maintenance	\$189,318			\$52,096		\$4,450	\$17,782	\$263,646		\$263,646
97200 Casualty Losses - Non-capitalized	\$18,857							\$18,857		\$18,857
97300 Housing Assistance Payments			\$17,895,847		\$315,882			\$18,211,729		\$18,211,729
97400 Depreciation Expense	\$2,411,433	\$916	\$108,924	\$320,725		\$30,540	\$78,201	\$2,950,739		\$2,950,739
90000 Total Expenses	\$11,029,739	\$116,592	\$19,992,470	\$1,632,822	\$351,563	\$84,794	\$2,317,355	\$35,525,335	-\$2,046,662	\$33,478,673
10091 Inter Project Excess Cash Transfer In	\$320,632							\$320,632	-\$320,632	\$0
10092 Inter Project Excess Cash Transfer Out	-\$320,632							-\$320,632	\$320,632	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over	-\$1,883,579	-\$824	-\$370,506	-\$136,812	\$0	-\$23,027	-\$3,680	-\$2,418,428	\$0	-\$2,418,428
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$215,392	\$0	\$0	\$0	\$215,392		\$215,392
11030 Beginning Equity	\$32,928,542	\$1,491	\$1,669,888	\$0	\$0	\$1,120,871	\$1,553,764	\$37,274,556		\$37,274,556
11040 Prior Period Adjustments, Equity Transfers	\$0			\$3,179,178				\$3,179,178		\$3,179,178
11170 Administrative Fee Equity			\$889,463					\$889,463		\$889,463
11180 Housing Assistance Payments Equity			\$409,919					\$409,919		\$409,919
11190 Unit Months Available	17117		35963	2448	780	84		56392		56392
11210 Number of Unit Months Leased	16641		34968	2385	775	55		54824		54824
11270 Excess Cash	\$2,901,955							\$2,901,955		\$2,901,955
11620 Building Purchases	\$1,080,841						\$0	\$1,080,841		\$1,080,841

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF MODERNIZATION COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2014**

Description	Note A	Note B	Note C	Note D
	OH16C70-7059			
	OH0199C5E071104 Shelter Plus Care Grant	OH12RFS205A011 ROSS Grant	OH12P0120111 Capital Fund Grant	OH0199L5E071205 Special Needs Assistance Program
Funds Approved - Latest Budget	\$ 513,852	\$ 64,781	\$ 2,210,593	\$ 545,430
Funds Advanced	350,724	64,781	2,210,593	351,564
Funds Expended	350,724	64,781	2,210,593	351,564
Difference Between Funds Advanced and Funds Expended	<u>\$ 0</u>	<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 2014. \$163,128 was not advanced or expended.

Note B: This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2014.

Note C: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2014. All funds were advanced and expended.

Note D: This Special Needs Assistance Program grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2014. \$193,866 was not advanced or expended.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2014**

The Lorain Metropolitan Housing Authority had a total of 4,699 units under its management. See details below:

<u>Management</u>	<u>Units Available</u>	<u>Average Number of Units Leased in Fiscal Year</u>
Lorain Metropolitan Housing Authority		
Low Income Public Housing	1,426	1,387
Section 8 Vouchers	2,997	2,914
Shelter Plus Care	65	65
General Fund (not HUD funded)	7	5
Total Lorain Metropolitan Housing Authority	<u>4,495</u>	<u>4,371</u>
 Lorain County Elderly Housing Corporation		
Section 8 New Construction	<u>204</u>	<u>199</u>
 Total LMHA and LCEHC	<u><u>4,699</u></u>	<u><u>4,570</u></u>

Perry & Associates
Certified Public Accountants, A.C.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

November 26, 2014

Lorain Metropolitan Housing Authority
Lorain County
1600 Kansas Avenue
Lorain, Ohio 44052

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Lorain Metropolitan Housing Authority**, Lorain County, (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Lorain Metropolitan Housing Authority
Lorain County
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry & Associates
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Marietta, Ohio

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

November 26, 2014

Lorain Metropolitan Housing Authority
Lorain County
1600 Kansas Avenue
Lorain, Ohio 44052

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the **Lorain Metropolitan Housing Authority's** (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Lorain Metropolitan Housing Authority's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal programs.

Management's Responsibility

The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major programs. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on each Major Federal Program

In our opinion, the Lorain Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs	No
2014(v)	Type of Major Programs' Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under §.510(a)?	No
2014(vii)	Major Programs (list): Public Housing Operating Subsidy - CFDA #14.850; Public Housing - Capital Fund Program - CFDA #14.872; Section 8 New Construction - CFDA #14.182	
2014(viii)	Dollar Threshold: Type A\B Programs	Type A: \$829,483 Type B: All Others
2014(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
LORAIN COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2013.



Dave Yost • Auditor of State

LORAIN COUNTY METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**