

LUCAS METROPOLITAN HOUSING AUTHORITY

TOLEDO, OHIO

**FINANCIAL STATEMENTS
AND SINGLE AUDIT**

FOR THE YEAR ENDED DECEMBER 31, 2013



Dave Yost • Auditor of State

Board of Commissioners
Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43697

We have reviewed the *Independent Auditor's Report* of the Lucas Metropolitan Housing Authority, Lucas County, prepared by Bastin & Company, LLC, for the audit period January 1, 2013 through December 31, 2013. 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 Lucas Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 28, 2014

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LUCAS METROPOLITAN HOUSING AUTHORITY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43697

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the Lucas Metropolitan Housing Authority, Toledo, Ohio (the Authority) as of and for the year ended December 31, 2013, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance with 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 that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules on pages 25 through 29 and the Statements and Certifications of Actual Modernization Costs on pages 30 through 31 are presented for purposes of additional analysis as required by the Department of Housing and Urban Development, and are not a required part of the basic financial statements. The 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 also not a required part of the financial statements.

The Financial Data Schedules, the Statements and Certifications of Actual Modernization Costs and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules, the Statements and Certifications of Actual Modernization Costs and the Schedule of Expenditures of Federal Awards 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 June 24, 2014, on our consideration of the Authority'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 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.

Bastin & Company, LLC

Cincinnati, Ohio
June 24, 2014

LUCAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
Unaudited

The Lucas Metropolitan Housing Authority (LMHA or “Authority”) management discussion and analysis (MD&A) is intended to (a) assist readers in focusing on the significant financial issues, (b) provide an overview of LMHA’s financial activities for the year, (c) identify changes in the LMHA’s financial position and (d) identify individual fund or program issues or concerns.

The MD&A is designed to focus on the current year’s activities, resulting changes and currently known facts. Please read this in conjunction with the accompanying financial statements and notes to the financial statements for better comprehension.

LMHA offers this narrative overview of its financial activities for the year ending December 31, 2013.

MISSION STATEMENT

Housing is vital to our past, present and future! We create quality housing opportunities and build communities through collaborative partnerships. While stimulating economic growth, we empower individuals and develop the neighborhoods of tomorrow for the people of today.

FINANCIAL HIGHLIGHTS

Some key highlights of the 2013 financial report include:

- Total assets exceeded total liabilities by \$67,640,672 at December 31, 2013. This is a decrease of \$276,034 (0.4%) from the prior year.
- Operating revenues decreased from the prior year by \$1,683,736 (3.6%) to \$44,865,736 in 2013, compared to \$46,549,472 for 2012. A decrease in the HUD operating subsidy for the Public Housing Program was the major contributing factor.
- Operating expenses decreased from the prior year by \$1,493,514 (2.9%) to \$49,864,409 in 2013, compared to \$51,357,923 for 2012. Decreases in Housing Assistance Payments, maintenance expense and administrative expense resulted in the overall decrease in costs.
- During 2013, construction was completed on Phase I of the new Collingwood Green Senior Complex located on the site of the former Albertus Brown public housing development.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The following is a list of the financial statements included in this report:

MD&A

Management Discussion and Analysis

Financial Statements

Statements of Net Position

Statements of Revenues, Expenses, and Changes in Net Position

Statements of Cash Flows

Notes to the Financial Statements

LUCAS METROPOLITAN HOUSING AUTHORITY MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Unaudited

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation, 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: This component of net position consists of net position that does not meet the definition of Net Investment in Capital Assets, or Restricted Net Position.

The *statement of revenues, expenses and changes in net position* 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 investment income, gains and losses on capital asset disposals and interest expense.

The focus of the statement of revenues, expenses and changes in net position is the Increase (Decrease) in Net Position, which is similar to Net Income or Loss.

The *statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financing activities and investing activities.

The *notes to the financial statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.

The Authority administers several programs that are consolidated into a single proprietary-type enterprise fund. The more significant programs consist of the following:

- **Low Income Public Housing Program** – Under this program, the LMHA rents units that it owns to low-income households throughout Lucas County. This program operates under an Annual Contributions Contract (ACC) with HUD, which provides an operating subsidy that enables the Agency to provide rental housing at a lower cost, based on 30 percent of household income.

The LMHA currently owns and operates 2,734 rental units subsidized in this program (400 units were recently demolished in late 2011 and early 2012). Per HUD requirements, these units are grouped into seven (7) Asset Management Projects, based on size and geographic location that are operated by site-based LMHA Property Managers.

LUCAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Unaudited

- **Section 8 Program** – Under this program, the LMHA administers contracts with independent landlords that own and lease units within the community. Through a separate ACC with HUD, the LMHA receives a subsidy from HUD that allows the Agency to structure a lease between the landlord and the renter that sets the rent at 30 percent of the household income. LMHA then subsidizes the family’s rent through a housing assistance payment made to the landlord. Some of these contracts assist disabled veterans, while others may allow the resident to become homeowners, as a result of their participation in the program. The LMHA currently administers 4,563 vouchers among the various Section 8 Programs, including Housing Choice Voucher, Mainstream, Mod Rehab and Veterans Affairs Supportive Housing (VASH) programs.
- **Capital Fund Grants** – The LMHA receives additional funding from HUD for physical and management improvements to its units within the Low Income Public Housing Program, under the same Annual Contributions Contract. This program provides funding for large-scale improvements or unplanned emergencies that are not covered by the operating subsidy amounts previously mentioned.
- **Resident Service Grants** – Funding through this program is awarded by HUD to provide additional assistance to residents with special needs, or to provide community outreach connections that provide such assistance, for improved quality of life within the Low Income Public Housing community.
- **Shelter Plus Care Grant** – Funding through this program is awarded by HUD to assist community organizations that provide transitional housing for chronically homeless individuals with disabilities or special needs. The LMHA administers the program for a sponsored service provider, assisting with the cost of housing, thereby allowing them to provide supportive services by coordinating their efforts with other organizations for the homeless, to improve their quality of life.
- **Home Improvement Partnership Program** – Funding for this program was awarded by the City of Toledo that passed through funding from HUD. The grant from the City of Toledo provided a portion of the mixed financing agreement related to the Collingwood Green Phase I construction project. The objective of the Home Improvement Partnership Program is to expand the supply of affordable housing, particularly rental housing, for low and very low income Americans.
- **Neighborhood Stabilization Program** – Funding for this program was awarded by the City of Toledo that passed through funding from HUD. The grant from the City of Toledo provided a portion of the mixed financing agreement related to the Collingwood Green Phase I construction project. The Neighborhood Stabilization Program was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
- **Non-HUD/Business Activities Programs** – This area includes programs such as: contract administration, a consortium with other housing authorities in Ohio to manage site-based properties for HUD; the Veterans Fund, a discretionary pool of funding from a variety of activities; the Homeownership Funds, proceeds from the old Turnkey III program, utilized to provide opportunities for low-income families to become homeowners; and the Central Office Cost Center, the management entity related to the operation of the Housing Authority created through the implementation of the asset management program.

LUCAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Unaudited

• **Component Units**

Westridge Apartments Development Corporation – Through the Westridge Apartments Development Corporation, the LMHA owns and operates a 190-unit apartment complex as a component unit of the Agency. This is a market rate rental site, with 25 percent of its units leased to lower-income residents.

Collingwood Green Phase I – Through the Collingwood Green Phase I, LP, a 65 unit mixed-finance and mixed income community was constructed. Construction was completed during 2013. The development includes 65 units of housing owned by Collingwood Green Phase I, LP, of which 33 units are public housing units developed using Capital Funds received by LMHA from HUD, and a mixed-finance amendment to the Annual Contributions Contract between HUD and LMHA.

Lucas Housing Services Corporation – Through the Lucas Housing Services Corporation, a wholly owned non-profit corporation, the LMHA acquired 53 parcels from the Lucas County Land Reutilization Company for the purpose of rehabilitating the single family dwelling structures to be resold to buyers who are unable to obtain conventional mortgages.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Position

The following table represents condensed Statements of Net Position:

	December 31, 2013	December 31, 2012
<u>Assets</u>		
Current Assets	\$21,110,854	\$23,942,668
Other Noncurrent Assets	856,065	698,629
Capital Assets Net of Accumulated Depreciation	65,231,389	60,099,467
Total Assets	87,198,308	84,740,764
<u>Liabilities</u>		
Current and Other Liabilities	5,959,097	4,176,521
Noncurrent Liabilities	13,598,539	12,647,537
Total Liabilities	19,557,636	16,824,058
<u>Net Position</u>		
Net Investment in Capital Assets	53,941,856	51,837,363
Restricted	4,246,563	6,044,016
Unrestricted	9,452,253	10,035,327
Total Net Position	\$67,640,672	\$67,916,706

By far the largest portion of the Authority's net position (80 percent for 2013 and 76 percent for 2012) reflects its net investment in capital assets. The increase from 2012 was primarily the result of the completion of construction of the Collingwood Green Phase I project offset by depreciation expense for the year. The Authority uses these capital assets (e.g., buildings, machinery, and equipment) to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

LUCAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Unaudited

Statement of Revenues, Expenses and Changes in Net Position

The following table represents condensed Statements of Revenues, Expenses and Changes in Net Position:

	Year Ended December 31, 2013	Year Ended December 31, 2012
<u>Operating Revenue</u>		
Government Operating Grants	\$38,440,455	\$39,861,383
Tenant Revenue	5,758,711	5,550,229
Other Revenue	666,570	1,137,860
Total Operating Revenue	44,865,736	46,549,472
<u>Operating Expenses</u>		
Operating Expenses	21,416,926	22,475,053
Depreciation	4,307,517	3,720,881
Housing Assistance Payments	24,139,966	25,161,989
Total Operating Expenses	49,864,409	51,357,923
Operating Loss	(4,998,673)	(4,808,451)
Non-Operating Revenues (Expenses)	(140,984)	(663,977)
Capital Grants and Contributions	4,863,623	6,591,382
Increase (Decrease) in Net Position	(276,034)	1,118,954
Net Position, Beginning of year	67,916,706	66,797,752
Net Position, End of year	\$67,640,672	\$67,916,706

During 2013, the net position of the Authority decreased by a total of \$276,034.

The Authority's revenues are largely governmental revenues received from cost reimbursement and capital grants. The Authority draws down monies from the grant awards for allowable program expenses, except for non-cash transactions, such as depreciation expense and changes in compensated absences. The Authority's governmental revenues and charges for services were sufficient to cover all non-depreciation related expenses incurred during the year.

The Authority's operating grants decreased by \$1,420,928 primarily due to decreases in the HUD operating subsidy for the Public Housing Program. Operating expenses decreased by \$1,493,514 primarily due to decreases in Housing Assistance Payments, maintenance expense and administrative expenses.

Net non-operating revenues (expenses) increased primarily due to a gain on the disposal of capital assets. Capital contributions decreased from 2012 levels primarily because additional capital grants from the City of Toledo as part of the mixed-financing arrangements for the Collingwood Green Phase I project were received in 2012.

**LUCAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2013, the Authority's capital assets totaled \$65,231,389 (capital assets net of accumulated depreciation) as reflected in the following schedule.

	December 31, 2013	December 31, 2012
Land and improvements	\$ 9,492,090	\$ 9,563,339
Buildings and improvements	167,600,474	155,653,351
Furniture, fixtures and equipment	2,485,205	3,441,318
Construction in progress	9,208,640	11,854,720
Accumulated Depreciation	<u>(123,555,020)</u>	<u>(120,413,261)</u>
Total	<u>\$ 65,231,389</u>	<u>\$ 60,099,467</u>

During the year ending December 31, 2013, the net change in capital assets amounted to an increase of \$5,131,922.

The \$11,947,123 increase in buildings is primarily due to converting construction in progress to buildings as construction on the new Collingwood Green Phase II Complex was completed. Accumulated depreciation increased by \$3,141,759 primarily as a result of annual depreciation expense, offset by the removal of accumulated depreciation related to the disposal of vehicles during the year.

Additional information on the Authority's capital assets can be found on page 19 of this report.

Debt

As of December 31, 2013, the Authority had \$13,440,469 of debt, an increase of \$1,996,665 from the prior year. The increase is a result of Westridge Apartments Development Corporation issuing additional loans and an increased balance related to a bridge construction loan as part of the Collingwood Green Senior Complex construction project.

Additional information on the Authority's long-term debt can be found on page 22 of this report.

ECONOMIC FACTORS

The following factors were considered in preparing the Authority's budget for the 2013 fiscal year.

The Authority has implemented site-specific budgeting and accounting. Both FY2012 and FY2013 budgets were prepared using the site-specific format as directed by HUD. Under the site-specific budget format, there are strict guidelines on how the Central Office Cost Center (COCC) will be funded. Funding for the COCC is derived from fees charged to Asset Management Projects (AMP). The AMPs represent site-specific public housing areas and are managed as separate subsidiary organizations. As such, AMPs have their own financial statements with revenues coming from subsidy transfers, rental accounts, and capital fund transfers. Oversight and supportive services are provided on a fee basis by the Authority's COCC. Additional revenues for the COCC are from the service fees charged to the Voucher programs and other smaller programs. Failure to operate within revenues received will result in lower

**LUCAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

Unaudited

operating revenue for both the AMPs and the COCC. Failing to maintain occupancy rates of 95% or higher for the AMPs will also reduce operating subsidy transfers between AMPs.

The Housing Choice Voucher (HCV) program generates revenue for operations from administrative fees earned from HUD. A portion of these revenues are paid to the COCC as fees for supportive services. In FY2013 the COCC did not charge the HCV program the maximum rate for administrative fees to help the HCV program's administrative budget to limit the use of prior year unrestricted net reserves (UNA). In FY2013 the COCC continued to give a discount to the HCV program because the administrative fee funding from HUD was prorated to 69% of eligibility, 11% lower than that of FY2012. Thus, HCV administrative operations have required use of prior year administrative reserves to keep the program fully utilized.

Effective March 1, 2013, because of Congress' inability to pass legislation on balanced deficit reduction, sequestration funding cuts for the low income public housing program (LIPH) resulted in subsidy proration of 81.86% of eligibility or approximately \$1.8 million reduction in subsidy to LMHA. LMHA prior years' unrestricted AMP reserves were sufficient to cover any FY2013 AMP budget deficits in this program.

There is no sequestration thus far in FY2014 and initial proration for this program for FY2014 is 89%.

In addition, FY2013 sequestration funding cuts affected the Section 8 Housing Choice Voucher Program (HCV) Administration revenues significantly. Subsidy proration for this program was 69% of funding eligibility for administrative fees and 94% for housing assistance payments (HAP). Program reserves covered deficits in FY2013.

FY2014 appropriations for the HCV Program fared better than FY2013. The HAP renewal funding is currently prorated at 99% of eligibility and administrative fee funding is prorated at approximately 75%.

Staffing levels agency-wide have been maintained, but across the board salary increases have halted for management and bargaining unit employees.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances for all those with interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Lucas Metropolitan Housing Authority, P.O. Box 477, Toledo, Ohio 43697-0477, or call (419) 259-9447.

Lucas Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 10,911,492
Cash and Cash Equivalents - Restricted	5,135,578
Investments	2,050,136
Investments - Restricted	2,242,920
Grants receivable	354,264
Tenant Accounts Receivables, Net of Allowance	169,795
Notes Receivable - Current	41,161
Interest Receivable	14,832
Prepaid Expenses and Other Current Assets	190,676
Total Current Assets	<u>21,110,854</u>
Noncurrent Assets	
Notes Receivable - Noncurrent	653,717
Assets Held for Resale	117,448
Other Noncurrent Assets	84,900
Nondepreciable Capital Assets	18,700,730
Depreciable Capital Assets, Net	46,530,659
Total Noncurrent Assets	<u>66,087,454</u>
TOTAL ASSETS	<u><u>\$ 87,198,308</u></u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 1,161,224
Accrued Interest Payable	99,806
Accrued Wages and Payroll Taxes	376,336
Accrued Compensated Absences - Current	175,956
Tenant Security Deposits	322,554
Notes payable - Current	107,547
Bonds Payable - Current	165,000
Loans Payable - Current	2,212,554
Other Liabilities - Current	1,338,120
Total Current Liabilities	<u>5,959,097</u>
Noncurrent Liabilities	
Notes Payable - Noncurrent	5,135,516
Bonds Payable - Noncurrent	5,010,000
Loans Payable - Noncurrent	809,852
Accrued Compensated Absences - Noncurrent	997,093
Other Liabilities - Noncurrent	1,646,078
Total Noncurrent Liabilities	<u>13,598,539</u>
TOTAL LIABILITIES	<u><u>19,557,636</u></u>

NET POSITION

Net Investment in Capital Assets	53,941,856
Restricted	4,246,563
Unrestricted	9,452,253
TOTAL NET POSITION	<u><u>\$ 67,640,672</u></u>

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

Lucas Metropolitan Housing Authority
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013

<u>OPERATING REVENUE</u>	
Government Operating Grants	\$ 38,440,455
Tenant Revenue	5,758,711
Other Revenue	666,570
Total Operating Revenue	<u>44,865,736</u>
<u>OPERATING EXPENSES</u>	
Administrative	8,078,425
Resident Services	593,200
Utilities	3,542,171
Maintenance	3,954,651
Protective Service	1,189,528
General	2,632,489
Housing Assistance Payments	24,139,966
Insurance and Other Expenses	1,426,462
Depreciation	4,307,517
Total Operating Expenses	<u>49,864,409</u>
Operating Loss	<u>(4,998,673)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Gain on Sale of Capital Assets	164,166
Interest Income	31,422
Interest Expense	(336,572)
Total Non-operating Revenues (Expenses)	<u>(140,984)</u>
Loss Before Capital Contributions	<u>(5,139,657)</u>
<u>CAPITAL CONTRIBUTIONS</u>	
Capital Grants and Contributions	4,863,623
Total Capital Contributions	<u>4,863,623</u>
Increase (Decrease) in Net Position	(276,034)
Net Position, Beginning of year	<u>67,916,706</u>
Net Position, End of year	<u>\$ 67,640,672</u>

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

Lucas Metropolitan Housing Authority
Statement of Cash Flows
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Operating Grants	\$ 38,235,631
Cash Received from Tenants	5,736,332
Other Receipts	666,570
Cash Payments for Housing Assistance	(24,139,966)
Cash Payments for Administrative Expenses	(8,408,041)
Cash Payments for Other Operating Expenses	(13,154,358)
Net Cash Used by Operating Activities	(1,063,832)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Contributions Received	5,421,681
Collections of Notes Receivable	39,444
Proceeds from Debt	2,276,029
Purchase of Capital Assets	(8,916,890)
Proceeds from Sale of Capital Assets	325,659
Principal and Interest Paid on Debt	(606,408)
Net Cash Used by Capital and Related Financing Activities	(1,460,485)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	25,201
Sale of Investments	1,217,826
Net Cash Provided by Investing Activities	1,243,027

Net Decrease in Cash and Cash Equivalents (1,281,290)

Cash and Cash Equivalents, Beginning of year 17,328,360

Cash and Cash Equivalents, End of year \$ 16,047,070

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating Loss	\$ (4,998,673)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating activities:	
Depreciation	4,307,517
Change in Allowance for Doubtful Accounts	3,663
Tenant Security Deposits	14,369
Operating Grants Receivable	(204,824)
Tenant Account Receivables	(90,974)
Inventory	2,514
Prepaid Expenses and Other Current Assets	109
Operating Accounts Payable	(193,124)
Accrued Compensated Absences	(129,281)
Other Liabilities	224,872
Net Cash Used by Operating Activities	\$ (1,063,832)

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Reporting Entity

Lucas Metropolitan Housing Authority (LMHA or the "Authority") was created under Ohio Revised Code Section 3735.27 to eliminate housing conditions that are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The Authority is responsible for operating certain low-income housing programs in Lucas County under programs administered by the U.S. Department of Housing and Urban Development (HUD) under the United States Housing Act of 1937, as amended.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

Based upon the foregoing criteria, the Authority has included the operations of Westridge Apartments Development Corporation (WADC), Collingwood Green Phase I, LP, and Lucas Housing Services Corporation as blended component units. WADC was established as a wholly owned for-profit corporation of the Authority in January 2006 primarily for the purposes of owning and operating a mixed-income apartment complex. Collingwood Green Phase I, LP, was established as a wholly owned for-profit corporation which began operations in 2012, for the purpose of arranging for the mixed financing and construction of the Collingwood Green Senior Complex, a 65 unit community of which 33 units will be public housing units developed using Capital Funds received by LMHA from HUD, and a mixed-finance amendment to the Annual Contributions Contract between HUD and LMHA. Lucas Housing Services Corporation was established as a wholly owned non-profit corporation of the Authority in August 2013 primarily for the purposes of purchasing and rehabilitating 53 single family dwelling units for subsequent resale to buyers who are unable to obtain conventional mortgages.

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(continued)

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

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 Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Authority's financial statements are prepared using the accrual basis of accounting.

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a liquid investment and is reported as a cash equivalent in the basic financial statements.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less at the time of purchase are reported as cash equivalents on the financial statements.

E. Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments represent amounts held in FSS escrow, other tenants' escrow accounts, employee Section 125 withholding accounts and construction accounts. Restricted investments consist of amounts whose use is restricted by HUD or debt requirements.

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(continued)

F. Investments

Investments are reported at fair value which is based on quoted market prices. For investments in open-end money market mutual funds, fair value is determined by the fund's current share price. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of revenues, expenses, and changes in net position.

G. Tenant Receivables and Recognition of Bad Debts

Tenant receivables are stated at net rent amounts. Tenant accounts are generally collectible as long as the tenant is occupying the unit. Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$166,462 at December 31, 2013.

H. Inventories

Inventories and materials are stated at average cost, which approximates market.

I. Capital Assets

Capital assets are recorded at cost. Costs in excess of \$5,000 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-40 years
Land and improvements	10-20 years
Furniture and fixtures, equipment, and moving vehicles	5-7 years

J. Capitalization of Interest

The Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2013, \$311,578 of interest expense was capitalized as part of the Collingwood Green Senior Complex project.

K. Compensated Absences

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(continued)

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

Compensated absences are expensed when earned with the amount reported as a fund liability.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Authority 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 positions are available.

M. Operating Revenues and Expenses

An enterprise fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

N. Capital Contributions

Capital Contributions arise from the contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

O. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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.

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NOTES TO FINANCIAL STATEMENTS
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(continued)

3. Deposits and Investments

Deposits

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or available on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

At year-end, the carrying amount of the Authority's deposits was \$15,536,388 (including \$1,263,997 of non-negotiable certificates of deposit and \$3,025 of petty cash), and the bank balance was \$16,184,133.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$2,035,320 were covered by Federal Depository Insurance and deposits totaling \$14,148,813 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

Investments

HUD, state statute and board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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(continued)

The Authority's investments at December 31, 2013 were as follows:

Government Securities	\$1,052,097
Money market mutual funds	3,240,959
STAR Ohio	<u>510,682</u>
Total investments	<u>\$4,803,738</u>

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The Authority's investment policy has no requirements beyond what the Ohio Revised Code requires.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has \$1,052,097 of government agency securities that are invested in Federal Home Loan securities, which are government-sponsored agencies, and of which the principal and interest are implicitly guaranteed by the United States government. The Standard and Poor's credit rating for the Federal Home Loan securities held is AA+. The Authority also has \$510,682 invested in the State Treasury Asset Reserve (STAR) of Ohio public investment pool and \$3,240,959 invested in money market mutual fund accounts, both of which are rated AAA by Standard & Poor's.

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest with one issuer.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority has no policy beyond what the Ohio Revised Code requires for custodial credit risk.

A reconciliation of Cash, Cash Equivalents and Investments is as follows:

	<u>Cash and</u> <u>Cash Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$16,047,070	\$4,293,056
STAR Ohio	<u>(510,682)</u>	<u>510,682</u>
Per GASB Statement No. 3	<u>\$15,536,388</u>	<u>\$4,803,738</u>

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(continued)

4. Capital Assets

A summary of capital assets class is as follows:

Class	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013
<i>Capital assets not being depreciated:</i>				
Land and improvements	\$ 9,563,339	\$ -	\$ (71,249)	\$ 9,492,090
Construction in progress	11,854,720	9,642,539	(12,288,619)	9,208,640
Subtotal	<u>21,418,059</u>	<u>9,642,539</u>	<u>(12,359,868)</u>	<u>18,700,730</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	155,653,351	11,947,123	-	167,600,474
Furniture, fixtures and equipment	3,441,318	341,496	(1,297,609)	2,485,205
Subtotal	<u>159,094,669</u>	<u>12,288,619</u>	<u>(1,297,609)</u>	<u>170,085,679</u>
Total cost	<u>\$180,512,728</u>	<u>\$21,931,158</u>	<u>\$(13,657,477)</u>	<u>\$188,786,409</u>
<i>Accumulated depreciation:</i>				
Buildings and improvements	\$(118,097,228)	\$(4,235,593)	\$ -	\$(122,332,821)
Furniture, fixtures and equipment	(2,316,033)	(71,924)	1,165,758	(1,222,199)
Total depreciation	<u>(120,413,261)</u>	<u>(4,307,517)</u>	<u>1,165,758</u>	<u>(123,555,020)</u>
Net Value	<u>\$ 60,099,467</u>	<u>\$17,623,641</u>	<u>\$(12,491,719)</u>	<u>\$ 65,231,389</u>

5. Pension Plan

Ohio Public Employees Retirement System (“OPERS”)

The following information was provided by OPERS to assist the Authority in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

All employees of the Authority participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO 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 CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including post employment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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<https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2013, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2013 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the Authority's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional and Combined Plans was 13.0% for calendar year 2013. The contribution requirements of plan members and the Authority are established and may be amended by the OPERS Board. The Authority's required contributions for pension obligations to OPERS for the years ending December 31, 2013, 2012, and 2011 were \$841,346, \$703,759, and \$746,951, respectively, which were equal to the required contributions for each year.

6. Post Employment Benefits

Ohio Public Employees Retirement System ("OPERS")

Plan Description – 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, 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 is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC 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 ORC.

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(continued)

limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Post Employment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board 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 for members in the Traditional and Combined Plans was 1.0% for calendar year 2013. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions for health care to the OPERS for the years ending December 31, 2013, 2012, and 2011 were \$64,719, \$281,504, and \$298,780, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the 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.

7. Compensated Absences

Vacation and sick leave policies are established by agreement between the Authority and the American Federation of State, County and Municipal Employees, AFL-CIO, for members of the bargaining unit, and by personnel policy for management employees not covered by the labor agreement.

For both union and nonunion employees, these agreements provide for two weeks of paid vacation after one year of service, with an additional week for every five years of service thereafter, to a maximum of six weeks per year. Vacation time relating to a maximum of two years of service may be accumulated before it is lost.

For union personnel, the labor agreement provides for sick leave pay to be credited at a rate of eight hours per month, up to a maximum of 249 days. By limiting the use of sick leave during the fiscal year, an employee may elect to receive either bonus attendance time, to a maximum of five days, or an incentive bonus, to a maximum of \$500. Nonunion personnel have the same provisions under the personnel policies.

For union personnel, in the event of voluntary termination of employment after 10 consecutive years of service or due to retirement, such employees are entitled to receive payment for one-half of their accumulated sick leave (maximum of 204 days accumulated, with a maximum payout of 102 days). All terminated employees are entitled to receive payment for any accrued and unused vacation time. In the event of the death of an employee, the designated beneficiary shall receive such payments.

For employees not covered under the labor agreement, in the event of voluntary termination of employment after five consecutive years of service, or due to retirement, such employees are entitled to receive payment for one-half of their accumulated sick leave (maximum of 249 days accumulated, with a maximum payout of 124.5 days). All terminated employees are entitled to receive payment for

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(continued)

any accrued and unused vacation time. In the event of the death of an employee, the designated beneficiary shall receive such payments.

All employees hired prior to December 1, 2001 became eligible for longevity pay at the end of five years of service, at which time longevity pay begins to accrue from their anniversary date. Union personnel hired on December 1, 2001 and thereafter are not eligible for longevity pay. Union personnel receive longevity pay at their 1995 pay levels at the rate of 2 percent, 4 percent, 6 percent, and 8 percent for five years, 10 years, 15 years, and 20 years, respectively, of service. All nonunion personnel are eligible for longevity pay and receive longevity pay at their current pay levels at the rate of 1 percent, 2 percent, 3 percent, and 4 percent for five years, 10 years, 15 years, and 20 years, respectively, of service.

At December 31, 2013, \$1,173,049 of vested vacation, sick leave, and longevity was accrued by the Authority for both union and nonunion personnel. Of this amount, \$175,956 is due within one year as of December 31, 2013 and is reported as current liabilities. Non-vested amounts are not material to the financial statements and have not been accrued. The change of \$(129,281) in the balance accrued at December 31, 2013 represents amounts earned in 2013 less amounts paid out.

8. Risk Management

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

No insurance settlements have exceeded coverage in any of the past three fiscal years and there has not been any significant reduction in insurance coverage in the current year.

9. Long-term Debt

Changes in long-term debt for the year ended December 31, 2013 is as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013	Amount Due within One Year
<i>Long-term Debt:</i>					
Note Payable	\$ 5,344,288	\$ -	\$ (101,225)	\$ 5,243,063	\$107,547
Bonds Payable	5,330,000	-	(155,000)	5,175,000	165,000
Bridge Loan Payable	769,516	1,350,484	-	2,120,000	2,120,000
Loan Payable	-	925,545	(23,139)	902,406	92,554
<i>Other Obligations:</i>					
Compensated absences	1,302,330	66,068	(195,349)	1,173,049	175,956
Total	<u>\$12,746,134</u>	<u>2,342,097</u>	<u>\$(474,713)</u>	<u>\$14,613,518</u>	<u>\$2,661,057</u>

Westridge Apartments Development Corporation has a note payable of \$5,243,063 at December 31, 2013, to Red Mortgage Capital, payable in monthly installments of \$35,249, including interest at 5.99 percent. A lump-sum payment of principal is due in March 2016. Interest expense for the year ended December 31, 2013 was \$321,767.

LUCAS METROPOLITAN HOUSING AUTHORITY
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(continued)

During 2012 the Authority issued \$5,475,000 of Capital Fund Housing Revenue Bonds, Series 2012, for the development of the Collingwood Green Senior Complex. The bonds mature on September 1, 2031, and bear an interest rate of 5.25 percent and are secured with no more than 33 percent of LMHA's future capital funds, as addressed in Amendment 2012-01 to the Annual Contributions Contract (ACC) with HUD.

As part of the Collingwood Green Senior Complex project, the Authority obtained a bridge loan to provide interim financing during construction. The loan, which has a maximum amount limited to \$2,120,000, provides for draws to be made against the available amount as needed during construction of the project. As of December 31, 2013 LMHA has drawn \$2,120,000 of the available loan. The loan bears interest at a per annum rate equal to the Libor Rate plus 200 basis points. Any amount outstanding on the loan is due in full on March 1, 2014.

On April 19, 2013, the Authority obtained a loan from Fifth Third Bank for \$925,545, at a variable interest rate (1.90% in 2013), to fund Westridge Apartments Development Corporation improvements. The Authority is making quarterly principal payments of \$23,139, with a final balloon principal payment of \$694,159 due on April 19, 2016.

Future minimum principal and interest payments related to the Westridge Apartments Development Corporation note are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 107,547	\$ 315,445	\$ 422,992
2015	114,263	308,728	422,991
2016	5,021,253	75,890	5,097,143
Total	<u>\$5,243,063</u>	<u>\$700,063</u>	<u>\$5,943,126</u>

Future minimum principal and interest payments related to the Capital Fund Housing Revenue Bonds, Series 2012, are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 165,000	\$ 271,687	\$ 436,687
2015	175,000	263,025	438,025
2016	180,000	253,838	433,838
2017	190,000	244,387	434,387
2018	200,000	234,412	434,412
2019-2023	1,180,000	1,002,226	2,182,226
2024-2028	1,525,000	657,565	2,182,565
2029-2031	1,560,000	188,737	1,748,737
Total	<u>\$5,175,000</u>	<u>\$3,115,877</u>	<u>\$8,290,877</u>

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(continued)

Future minimum principal and interest payments related to the Westridge Apartments Development Corporation loan are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 92,554	\$ 16,486	\$ 109,040
2015	92,554	14,728	107,282
2016	717,298	5,605	722,903
Total	<u>\$ 902,406</u>	<u>\$ 36,819</u>	<u>\$ 939,225</u>

11. Commitments and Contingencies

Grants – The Authority receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are 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 December 31, 2013.

Commitments – The Authority is obligated to complete modernization phases to renovate various facilities. At December 31, 2013, there were four open phases totaling \$6,124,131 for which the Authority has approved funding from HUD to complete.

Litigation and Claims – In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2013, the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

Supplemental Information

Lucas Metropolitan Housing Authority
Financial Data Schedules
December 31, 2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit -Blended	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$7,125,900		\$413,867	\$392,308	\$179,819	\$11,832	\$1,779,071	\$0	\$1,008,695	\$10,911,492		\$10,911,492
113 Cash - Other Restricted			\$2,137,822	\$2,362,835				\$0		\$4,500,657		\$4,500,657
114 Cash - Tenant Security Deposits	\$252,206		\$0	\$70,348				\$0		\$322,554		\$322,554
115 Cash - Restricted for Payment of Current Liabilities	\$15,968		\$165,577	\$130,822				\$0		\$312,367		\$312,367
100 Total Cash	\$7,394,074	\$0	\$2,717,266	\$2,956,313	\$179,819	\$11,832	\$1,779,071	\$0	\$1,008,695	\$16,047,070	\$0	\$16,047,070
122 Accounts Receivable - HUD Other Projects	\$90,563	\$35,775						\$227,926		\$354,264		\$354,264
125 Accounts Receivable - Miscellaneous								\$0	\$73	\$73		\$73
126 Accounts Receivable - Tenants	\$170,320			\$60,507				\$0		\$230,827		\$230,827
126.1 Allowance for Doubtful Accounts - Tenants	-\$61,032			\$0				\$0		-\$61,032		-\$61,032
127 Notes, Loans, & Mortgages Receivable - Current							\$41,161	\$0		\$41,161		\$41,161
128 Fraud Recovery			\$105,430					\$0		\$105,430		\$105,430
128.1 Allowance for Doubtful Accounts - Fraud			-\$105,430					\$0		-\$105,430		-\$105,430
129 Accrued Interest Receivable							\$11,434	\$0	\$3,398	\$14,832		\$14,832
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$199,851	\$35,775	\$0	\$60,507	\$0	\$0	\$52,595	\$227,926	\$3,471	\$580,125	\$0	\$580,125
131 Investments - Unrestricted							\$789,537	\$0	\$1,260,599	\$2,050,136		\$2,050,136
132 Investments - Restricted	\$443,811			\$10,845			\$1,788,264	\$0		\$2,242,920		\$2,242,920
142 Prepaid Expenses and Other Assets	\$32,502		\$24,854	\$5,758				\$0	\$127,489	\$190,603		\$190,603
144 Inter Program Due From								\$0	\$293,371	\$293,371	-\$293,371	\$0
145 Assets Held for Sale				\$16,263			\$101,185	\$0		\$117,448		\$117,448
150 Total Current Assets	\$8,070,238	\$35,775	\$2,742,120	\$3,049,686	\$179,819	\$11,832	\$4,510,652	\$227,926	\$2,693,625	\$21,521,673	-\$293,371	\$21,228,302
161 Land	\$8,310,960			\$1,122,810			\$11,000	\$0	\$47,320	\$9,492,090		\$9,492,090
162 Buildings	\$143,479,673			\$19,077,713			\$609,503	\$0	\$4,433,585	\$167,600,474		\$167,600,474
163 Furniture, Equipment & Machinery - Dwellings	\$814,693			\$0				\$0	\$0	\$814,693		\$814,693
164 Furniture, Equipment & Machinery - Administration	\$197,009		\$48,998	\$359,279				\$0	\$1,065,226	\$1,670,512		\$1,670,512
166 Accumulated Depreciation	-\$116,948,703		-\$36,935	-\$2,164,783			-\$60,950	\$0	-\$4,343,649	-\$123,555,020		-\$123,555,020
167 Construction in Progress	\$7,313,632			\$498,289			\$1,285,755	\$0	\$110,964	\$9,208,640		\$9,208,640
160 Total Capital Assets, Net of Accumulated Depreciation	\$43,167,264	\$0	\$12,063	\$18,893,308	\$0	\$0	\$1,845,308	\$0	\$1,313,446	\$65,231,389	\$0	\$65,231,389
171 Notes, Loans and Mortgages Receivable - Non-Current	\$4,853,900						\$3,824,389	\$0		\$8,678,289	-\$8,024,572	\$653,717
174 Other Assets				\$84,900				\$0		\$84,900		\$84,900
180 Total Non-Current Assets	\$48,021,164	\$0	\$12,063	\$18,978,208	\$0	\$0	\$5,669,697	\$0	\$1,313,446	\$73,994,578	-\$8,024,572	\$65,970,006
190 Total Assets	\$56,091,402	\$35,775	\$2,754,183	\$22,027,894	\$179,819	\$11,832	\$10,180,349	\$227,926	\$4,007,071	\$95,516,251	-\$8,317,943	\$87,198,308

Lucas Metropolitan Housing Authority
Financial Data Schedules
December 31, 2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$56,091,402	\$35,775	\$2,754,183	\$22,027,894	\$179,819	\$11,832	\$10,180,349	\$227,926	\$4,007,071	\$95,516,251	-\$8,317,943	\$87,198,308
312 Accounts Payable <= 90 Days				\$65,315				\$0	\$900,502	\$965,817		\$965,817
321 Accrued Wage/Payroll Taxes Payable	\$66,660		\$23,636	\$2,401			\$1,587	\$0	\$282,052	\$376,336		\$376,336
322 Accrued Compensated Absences - Current Portion	\$73,889		\$26,047				\$2,170	\$0	\$73,850	\$175,956		\$175,956
324 Accrued Contingency Liability								\$0				
325 Accrued Interest Payable	\$90,563			\$9,243				\$0		\$99,806		\$99,806
331 Accounts Payable - HUD PHA Programs					\$93,436			\$0		\$93,436		\$93,436
333 Accounts Payable - Other Government	\$86,866			\$4,033			\$11,072	\$0		\$101,971		\$101,971
341 Tenant Security Deposits	\$252,206			\$70,348				\$0		\$322,554		\$322,554
342 Unearned Revenue	\$87,447			\$6,078				\$0		\$93,525		\$93,525
343 Current Portion of Long-term Debt - Capital	\$165,000			\$2,320,101				\$0		\$2,485,101		\$2,485,101
345 Other Current Liabilities	\$15,968		\$165,577	\$236,965				\$0		\$418,510		\$418,510
346 Accrued Liabilities - Other	\$6,742			\$806,782		\$11,832		\$0	\$729	\$826,085		\$826,085
347 Inter Program - Due To		\$35,775		\$63,710				\$193,886		\$293,371	-\$293,371	\$0
310 Total Current Liabilities	\$845,341	\$35,775	\$215,260	\$3,584,976	\$93,436	\$11,832	\$14,829	\$193,886	\$1,257,133	\$6,252,468	-\$293,371	\$5,959,097
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$5,010,000			\$13,969,940				\$0		\$18,979,940	-\$8,024,572	\$10,955,368
353 Non-current Liabilities - Other			\$346,078	\$1,300,000				\$0		\$1,646,078		\$1,646,078
354 Accrued Compensated Absences - Non Current	\$418,712		\$147,602				\$12,296	\$0	\$418,483	\$997,093		\$997,093
350 Total Non-Current Liabilities	\$5,428,712	\$0	\$493,680	\$15,269,940	\$0	\$0	\$12,296	\$0	\$418,483	\$21,623,111	-\$8,024,572	\$13,598,539
300 Total Liabilities	\$6,274,053	\$35,775	\$708,940	\$18,854,916	\$93,436	\$11,832	\$27,125	\$193,886	\$1,675,616	\$27,875,579	-\$8,317,943	\$19,557,636
508.4 Net Investment in Capital Assets	\$37,992,264	\$0	\$12,063	\$4,754,203	\$0	\$0	\$1,845,308	\$0	\$1,313,446	\$45,917,284	\$8,024,572	\$53,941,856
511.4 Restricted Net Position	\$5,297,711	\$0	\$1,791,744	\$222,744	\$0	\$0	\$1,788,264	\$0		\$9,100,463	-\$4,853,900	\$4,246,563
512.4 Unrestricted Net Position	\$6,527,374	\$0	\$241,436	-\$1,803,969	\$86,383	\$0	\$6,519,652	\$34,040	\$1,018,009	\$12,622,925	-\$3,170,672	\$9,452,253
513 Total Equity - Net Assets / Position	\$49,817,349	\$0	\$2,045,243	\$3,172,978	\$86,383	\$0	\$10,153,224	\$34,040	\$2,331,455	\$67,640,672	\$0	\$67,640,672
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets /	\$56,091,402	\$35,775	\$2,754,183	\$22,027,894	\$179,819	\$11,832	\$10,180,349	\$227,926	\$4,007,071	\$95,516,251	-\$8,317,943	\$87,198,308

Lucas Metropolitan Housing Authority
Financial Data Schedules
December 31, 2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit -Blended	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$4,142,889			\$1,274,958			\$4,644	\$0		\$5,422,491		\$5,422,491
70400 Tenant Revenue - Other	\$333,886			\$1,634			\$700	\$0		\$336,220		\$336,220
70500 Total Tenant Revenue	\$4,476,775	\$0	\$0	\$1,276,592	\$0	\$0	\$5,344	\$0	\$0	\$5,758,711	\$0	\$5,758,711
70600 HUD PHA Operating Grants	\$11,799,663	\$244,848	\$25,440,057		\$618,331	\$92,257		\$245,299		\$38,440,455		\$38,440,455
70610 Capital Grants	\$2,667,083							\$0		\$2,667,083		\$2,667,083
70710 Management Fee								\$0	\$2,429,875	\$2,429,875	-\$2,429,875	\$0
70720 Asset Management Fee								\$0	\$324,120	\$324,120	-\$324,120	\$0
70730 Book Keeping Fee								\$0	\$444,788	\$444,788	-\$444,788	\$0
70740 Front Line Service Fee								\$0	\$733,239	\$733,239	-\$733,239	\$0
70750 Other Fees								\$0				
70700 Total Fee Revenue								\$0	\$3,932,022	\$3,932,022	-\$3,932,022	\$0
71100 Investment Income - Unrestricted	\$530		\$1,199		\$61		\$4,438	\$0	\$0	\$6,228		\$6,228
71200 Mortgage Interest Income							\$31,915	\$0		\$31,915	-\$13,335	\$18,580
71300 Proceeds from Disposition of Assets Held for Sale								\$0				
71310 Cost of Sale of Assets								\$0				
71400 Fraud Recovery			\$92,052					\$508		\$92,560		\$92,560
71500 Other Revenue	\$217,688		\$53,657	\$2,203,936			\$78,465	\$0	\$216,804	\$2,770,550		\$2,770,550
71600 Gain or Loss on Sale of Capital Assets	\$36,295		\$5,324				\$8,858	\$0	\$113,689	\$164,166		\$164,166
72000 Investment Income - Restricted	\$0		\$4,019	\$229			\$2,366	\$0		\$6,614		\$6,614
70000 Total Revenue	\$19,198,034	\$244,848	\$25,596,308	\$3,480,757	\$618,392	\$92,257	\$131,386	\$245,807	\$4,262,515	\$53,870,304	-\$3,945,357	\$49,924,947
91100 Administrative Salaries	\$795,682		\$963,836	\$51,830	\$33,328		\$61,857	\$10,443	\$1,824,778	\$3,741,754		\$3,741,754
91200 Auditing Fees	\$18,386		\$12,556	\$2,157			\$1,207	\$500	\$5,887	\$41,193		\$41,193
91300 Management Fee	\$1,995,042		\$384,951	\$32,400	\$13,311			\$4,171	\$2,429,875	-\$2,429,875		\$0
91310 Book-keeping Fee	\$237,024		\$198,739	\$0	\$6,872			\$2,153		\$444,788	-\$444,788	\$0
91400 Advertising and Marketing	\$4,120		\$2,670	\$31,094	\$92		\$250	\$29	\$102,872	\$141,127		\$141,127
91500 Employee Benefit contributions - Administrative	\$334,124		\$351,182	\$6,956	\$12,143		\$21,906	\$3,805	\$586,982	\$1,317,098		\$1,317,098
91600 Office Expenses	\$339,766		\$168,793	\$21,651	\$5,738		\$181	\$1,753	\$382,414	\$920,296	-\$37,704	\$882,592
91700 Legal Expense	\$24,546		\$5,943	\$4,160	\$205		\$877	\$64	\$13,654	\$49,449		\$49,449
91800 Travel	\$2,849		\$5,084	\$71	\$226		\$5,018	\$55	\$48,179	\$61,482		\$61,482
91900 Other	\$796,633		\$459,565	\$47,708	\$15,990		\$48,138	\$5,054	\$650,546	\$2,023,634	-\$56,474	\$1,967,160
91000 Total Operating - Administrative	\$4,548,172	\$0	\$2,553,319	\$198,027	\$88,405	\$0	\$139,434	\$28,027	\$3,615,312	\$11,170,696	-\$2,968,841	\$8,201,855

Lucas Metropolitan Housing Authority
Financial Data Schedules
December 31, 2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit -Blended	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	\$324,120							\$0		\$324,120	-\$324,120	\$0
92100 Tenant Services - Salaries		\$229,712						\$0		\$229,712		\$229,712
92200 Relocation Costs	-\$384							\$0		-\$384		-\$384
92400 Tenant Services - Other	\$333,309	\$15,136		\$340				\$0	\$15,087	\$363,872		\$363,872
92500 Total Tenant Services	\$332,925	\$244,848	\$0	\$340	\$0	\$0	\$0	\$0	\$15,087	\$593,200	\$0	\$593,200
93100 Water	\$1,454,602		\$2,232	\$59,266	\$77		\$3,414	\$24	\$2,548	\$1,522,163		\$1,522,163
93200 Electricity	\$1,246,650		\$19,593	\$39,634	\$677		\$2,772	\$212	\$56,843	\$1,366,381		\$1,366,381
93300 Gas	\$604,829		\$5,189	\$4,356	\$179		\$4,998	\$56	\$33,363	\$652,970		\$652,970
93600 Sewer				\$657				\$0		\$657		\$657
93000 Total Utilities	\$3,306,081	\$0	\$27,014	\$103,913	\$933	\$0	\$11,184	\$292	\$92,754	\$3,542,171	\$0	\$3,542,171
94100 Ordinary Maintenance and Operations - Labor	\$1,921,374			\$35,081				\$0	\$314,604	\$2,271,059		\$2,271,059
94200 Ordinary Maintenance and Operations - Materials and	\$605,795		\$8,000	\$40,652	\$277		\$1,236	\$87	\$181,883	\$837,930		\$837,930
94300 Ordinary Maintenance and Operations Contracts	\$2,961,943		\$39,474	\$173,246	\$1,435	\$0	\$36,481	\$449	\$58,522	\$3,271,550	-\$639,061	\$2,632,489
94500 Employee Benefit Contributions - Ordinary Maintenance	\$704,380		\$0	\$14,503				\$0	\$116,997	\$835,880		\$835,880
94000 Total Maintenance	\$6,193,492	\$0	\$47,474	\$263,482	\$1,712	\$0	\$37,717	\$536	\$672,006	\$7,216,419	-\$639,061	\$6,577,358
95200 Protective Services - Other Contract Costs	\$1,157,596		\$1,998	\$21,836			\$1,587	\$0	\$2,628	\$1,185,645		\$1,185,645
95300 Protective Services - Other	\$3,883							\$0		\$3,883		\$3,883
95000 Total Protective Services	\$1,161,479	\$0	\$1,998	\$21,836	\$0	\$0	\$1,587	\$0	\$2,628	\$1,189,528	\$0	\$1,189,528
96110 Property Insurance	\$304,592		\$1,923	\$53,748			\$2,156	\$0	\$3,388	\$365,807		\$365,807
96120 Liability Insurance	\$159,223		\$42,991	\$1,573	\$1,553		\$572	\$487	\$19,621	\$226,020		\$226,020
96130 Workmen's Compensation	\$61,955		\$22,198		\$768		\$1,405	\$241	\$51,883	\$138,450		\$138,450
96100 Total insurance Premiums	\$525,770	\$0	\$67,112	\$55,321	\$2,321	\$0	\$4,133	\$728	\$74,892	\$730,277	\$0	\$730,277
96200 Other General Expenses	\$8,119		\$37,643	\$2,649	\$297		\$30,321	\$45	\$12,520	\$91,594		\$91,594
96210 Compensated Absences	-\$63,955		-\$26,493	\$0	-\$916		\$2,624	-\$287	-\$34,403	-\$123,430		-\$123,430
96300 Payments in Lieu of Taxes	\$181,565			\$255,613			\$14,313	\$0		\$451,491		\$451,491
96400 Bad debt - Tenant Rents	\$147,439							\$0		\$147,439		\$147,439
96000 Total Other General Expenses	\$273,168	\$0	\$11,150	\$258,262	-\$619	\$0	\$47,258	-\$242	-\$21,883	\$567,094	\$0	\$567,094
96710 Interest of Mortgage (or Bonds) Payable				\$333,575				\$0		\$333,575		\$333,575
96720 Interest on Notes Payable (Short and Long Term)				\$13,335				\$0		\$13,335	-\$13,335	\$0
96730 Amortization of Bond Issue Costs				\$2,997				\$0		\$2,997		\$2,997
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$349,907	\$0	\$0	\$0	\$0	\$0	\$349,907	-\$13,335	\$336,572
96900 Total Operating Expenses	\$16,665,207	\$244,848	\$2,708,067	\$1,251,088	\$92,752	\$0	\$241,313	\$29,341	\$4,450,796	\$25,683,412	-\$3,945,357	\$21,738,055
97000 Excess of Operating Revenue over Operating Expenses	\$2,532,827	\$0	\$22,888,241	\$2,229,669	\$525,640	\$92,257	-\$109,927	\$216,466	-\$188,281	\$28,186,892	\$0	\$28,186,892

Lucas Metropolitan Housing Authority
Financial Data Schedules
December 31, 2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit -Blended	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$4,673			\$5,109				\$0		\$9,782		\$9,782
97200 Casualty Losses - Non-capitalized	\$2,685		\$2,847		\$98			\$31		\$5,661		\$5,661
97300 Housing Assistance Payments			\$23,323,557		\$511,201	\$92,257		\$212,951		\$24,139,966		\$24,139,966
97350 HAP Portability-In								\$0				
97400 Depreciation Expense	\$3,547,551		\$3,690	\$443,158			\$40,634	\$0	\$272,484	\$4,307,517		\$4,307,517
90000 Total Expenses	\$20,220,116	\$244,848	\$26,038,161	\$1,699,355	\$604,051	\$92,257	\$281,947	\$242,323	\$4,723,280	\$54,146,338	-\$3,945,357	\$50,200,981
10010 Operating Transfer In	\$777,051							\$0		\$777,051	-\$777,051	\$0
10020 Operating transfer Out	-\$777,051							\$0		-\$777,051	\$777,051	\$0
10091 Inter Project Excess Cash Transfer In	\$350,000							\$0		\$350,000	-\$350,000	\$0
10092 Inter Project Excess Cash Transfer Out	-\$350,000							\$0		-\$350,000	\$350,000	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$1,022,082	\$0	-\$441,853	\$1,781,402	\$14,341	\$0	-\$150,561	\$3,484	-\$460,765	-\$276,034	\$0	-\$276,034
11020 Required Annual Debt Principal Payments	\$155,000	\$0	\$0	\$89,726	\$0	\$0	\$0	\$0	\$0	\$244,726		\$244,726
11030 Beginning Equity	\$50,769,200	\$0	\$2,487,096	\$0	\$72,042	\$0	\$10,303,785	\$30,556	\$2,862,451	\$66,525,130		\$66,525,130
11040 Prior Period Adjustments, Equity Transfers and Correction	\$70,231			\$1,391,576				\$0	-\$70,231	\$1,391,576		\$1,391,576
11170 Administrative Fee Equity			\$253,499					\$0		\$253,499		\$253,499
11180 Housing Assistance Payments Equity			\$1,791,744					\$0		\$1,791,744		\$1,791,744
11190 Unit Months Available	32,347		52,056	2,367	1,800	300	264	564	0	89,698		89,698
11210 Number of Unit Months Leased	31,614		50,636	2,367	1,613	300	246	564	0	87,340		87,340
11270 Excess Cash	\$5,423,908							\$0		\$5,423,908		\$5,423,908
11610 Land Purchases	\$0							\$0	\$0	\$0		\$0
11620 Building Purchases	\$2,512,083							\$0	\$0	\$2,512,083		\$2,512,083
13510 CFFP Debt Service Payments	\$155,000							\$0	\$0	\$155,000		\$155,000
13901 Replacement Housing Factor Funds	\$4,642							\$0	\$0	\$4,642		\$4,642

Lucas Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
through December 31, 2013

Capital Fund Program Number OH12P006501-09

1. The Program Costs are as follows:

Funds Approved	\$ 4,986,894
Funds Expended	4,986,894
Excess (Deficiency) of Funds Approved	<u>\$ -</u>

Funds Advanced	\$ 4,986,894
Funds Expended	4,986,894
Excess (Deficiency) of Funds Approved	<u>\$ -</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Actual Modernization Cost Certificate (HUD 53001) was signed and filed on June 24, 2014.
4. The final costs on the certification agree to the Authority's records.

Lucas Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
through December 31, 2013

Capital Fund Program Number OH12R006501-09

1. The Program Costs are as follows:

Funds Approved	\$ 4,642
Funds Expended	4,642
Excess (Deficiency) of Funds Approved	<u>\$ -</u>

Funds Advanced	\$ 4,642
Funds Expended	4,642
Excess (Deficiency) of Funds Approved	<u>\$ -</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Actual Modernization Cost Certificate (HUD 53001) was signed and filed on June 24, 2014.
4. The final costs on the certification agree to the Authority's records.

LUCAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U. S. Department of Housing and Urban Development		
<i>Direct Programs:</i>		
Public and Indian Housing	14.850	\$ 10,253,541
Housing Choice Voucher Cluster:		
Section 8 Housing Choice Voucher Program	14.871	<u>25,440,057</u>
Total Housing Choice Voucher Cluster		<u>25,440,057</u>
Supportive Housing for Persons with Disabilities	14.181	618,331
Section 8 Project-Based Cluster		
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	<u>245,299</u>
Total Section 8 Project-based Cluster		<u>245,299</u>
Capital Fund Program Cluster:		
Public Housing Capital Fund	14.872	<u>4,213,205</u>
Total Capital Fund Program Cluster		<u>4,213,205</u>
Shelter Plus Care	14.238	92,257
Resident Opportunity and Supportive Services - Service Coordinators	14.870	<u>244,848</u>
Total Direct Programs		41,107,538
Total Expenditures of Federal Awards		<u>\$ 41,107,538</u>

See accompanying notes to schedule.

**LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Basis of Presentation

The schedule of expenditures of federal awards has been prepared using the accrual basis of accounting in accordance with the format as set forth in the Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133, *Audits of State and Local Governments*.

2. Public Housing Capital Funds (CFDA Number 14.872)

Expenditures for the Public Housing Capital Fund were from the following grants.

OH12P006501-09	\$ 50,258
OH12R006501-09	4,642
OH12P006501-10	168,683
OH12P006501-11	1,590,316
OH12P006501-12	<u>2,399,306</u>
Total	<u>\$4,213,205</u>

Bastin & Company, LLC

Certified Public Accountants

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

Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43697

To the Board of Commissioners:

We have audited, in accordance with the 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, the financial statements of the Lucas Metropolitan Housing Authority, Toledo, Ohio (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 24, 2014

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43697

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Lucas Metropolitan Housing Authority, Toledo, Ohio (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Authority'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

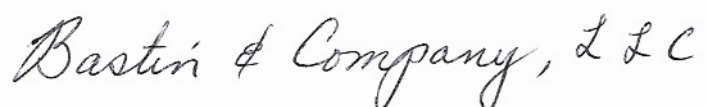
Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a white background.

Cincinnati, Ohio
June 24, 2014

**LUCAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB Circular A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013**

SUMMARY OF AUDITOR'S RESULTS

Type of financial statement opinion	Unmodified
Were there any material control weaknesses reported at the financial statement level?	No
Were there any other significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance reported at the financial statement level?	No
Were there any material internal control weakness reported for major federal programs?	No
Were there any other significant deficiencies in internal control reported for major federal programs?	No
Type of major programs' compliance opinion	Unmodified
Are there any reportable findings?	No
Major programs:	Public and Indian Housing Program CFDA 14.850 Capital Fund Program Cluster – Public Housing Capital Fund CFDA 14.872
Dollar threshold to distinguish between Type A/B programs:	Type A: >\$1,233,226 Type B: all others
Low risk auditee?	Yes

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**LUCAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

There were no findings in the prior year audit report.

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Dave Yost • Auditor of State

LUCAS METROPOLITAN HOUSING AUTHORITY

LUCAS 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
AUGUST 7, 2014**