Certified Public Accountants, A.C.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY
Single Audit
For the Year Ended June 30, 2018

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com

OHIO AUDITOR OF STATE
KEITH FABER

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

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2019

This page intentionally left blank.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

This page intentionally left blank.

Perry & Associates
Certified Public Accountants, A.C.

313 Second St.
Marietta, Oh 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

December 14, 2018

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lorain Metropolitan Housing Authority**, Lorain County, Ohio (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain Metropolitan Housing Authority, Lorain County as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The supplemental financial data schedules presented on pages 48 through 51, the Schedule of Modernization Costs - Completed on page 52 and the Schedule of Units under LMHA Management on page 53 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

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

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

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

FINANCIAL HIGHLIGHTS

- The net position decreased by $2,192,244, or 8.9 percent, during 2018. Since the Authority engages in only business-type activities, the decrease is usually all in the category of business-type net position. Net position was $22,549,209 and $24,741,453 (restated) for 2018 and 2017, respectively.
- The business-type activities' revenue decreased by $2,441,032, or 7 percent, during 2018 and was $32,419,580 and $34,860,612 for 2018 and 2017, respectively.
- The total expenses decreased by $1,185,576 or 3.3 percent. Total expenses were $34,611,824 and $35,797,400 for 2018 and 2017, respectively.

Financial Statements

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

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

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

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

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

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

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

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

The Authority's Programs

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

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

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

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

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

Component Unit - The Lorain County Elderly Housing Corporation (LCEHC), an Ohio non-profit corporation, was organized for the purpose of providing housing for elderly persons of low to moderate income in the Lorain County area of northeastern Ohio. LCEHC consists of two 100 unit apartment complexes located in Elyria and Lorain and four homes located in Sheffield Village.

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

AUTHORITY STATEMENTS

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

Table 1 - Statement of Net Position

	2018	2017*
Assets		
Current and Other Assets	$7,839,238	$7,686,038
Capital Assets	26,288,101	28,144,987
Deferred Outflows of Resources	1,262,307	2,903,062
Other Non-Current Assets	75,724	28,813
Total Assets	35,465,370	38,762,900
Liabilities		
Current Liabilities	1,183,367	1,141,285
Long-Term Liabilities	9,879,604	12,716,743
Deferred Inflows of Resources	1,853,190	163,419
Total Liabilities	12,916,161	14,021,447
Net Position:		
Net Invested in Capital Assets	25,738,396	27,323,588
Restricted	102,512	233,191
Unrestricted	-3,291,699	-2,815,326
Total Net Position	$22,549,209	$24,741,453

*Restated – See Note 13

Major Factors Affecting the Statement of Net Position
Current and other assets were increased by $153,200, while current liabilities were increased by $42,082. Current assets, primarily cash and investments, increased due to the timing of funding and prepaid expenses at the end of fiscal year 2018. Current liabilities increased primarily due to the timing of accrued expenses at the end of fiscal year 2018.

Capital assets decreased by $1,856,886 from $28,144,987 to $26,288,101.

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

Table 2 - Statement of Unrestricted Net Position

Unrestricted Net Position at June 30, 2017	$743,273
Results of Operations	(2,491,091)
Adjustments:	
Depreciation(1)	2,621,770
Adjusted Results from Operations	130,679
Net Change in Restricted Assets(3)	-130,679
Net Change in Capital Assets(2)	-4,034,972
Unrestricted Net Position at June 30, 2018	-$3,291,699

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.
(2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against results of operations, and therefore must be deducted.

(3) The use of the Housing Choice Voucher Housing Assistance Payment balance from fiscal year 2017 for fiscal year 2018 expenses.

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

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

	2018	2017
Revenues		
Tenant Revenue - Rents and Other	$2,962,171	$2,974,170
Operating Subsidies and Grants	28,251,048	28,587,924
Capital Grants	606,038	2,678,410
Investment Income	68,533	40,841
Gain on Sale/Removal of Capital Assets	23,390	-
Other Revenues	508,400	579,267
Total Revenue	32,419,580	34,860,612
Expenses		
Administrative	5,366,724	5,714,141
Tenant Services	366,868	421,678
Utilities	2,239,147	2,147,766
Maintenance	3,339,638	3,526,489
Protective Services	332,461	338,259
General	2,079,236	2,536,453
Housing Assistance Payments	18,265,980	18,349,870
Loss on Disposals	-	33,817
Depreciation	2,621,770	2,728,927
Total Expenses	34,611,824	35,797,400
Net Increase/(Decrease)	($2,192,244)	($936,788)

The information necessary to restate the 2017 beginning balances and the 2017 pension expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 statement of revenues, expenses and changes in net position still include OPEB expense of $24,601 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Consequently, in order to compare 2018 total expenses to 2014, the following adjustments are needed:

Total 2018 expenses under GASB 75	$ 34,611,824
OPEB expense under GASB 75	(262,598)
2018 contractually required contribution	24,601
Adjusted 2018 expenses	34,373,827
Total 2017 expenses under GASB 45	35,797,400
Decrease in expenses not related to OPEB	$ (1,423,573)

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

Total revenues decreased by $2,441,032. This decrease is primarily the result of decreased utilization of the Capital Fund Grants.

Total expenses decreased $1,185,576. This decrease is primarily the result of general expense category which fluctuates with pension liability expense required by GASB 68 and GASB 75.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had $26,288,101 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, depreciation and the removal of fully depreciated improvements as a result of a review of replaced improvements) of $1,856,886 from the end of last year.

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

	2018	2017
Land	$5,353,843	$5,353,843
Buildings	85,335,227	84,839,546
Office Equipment	904,144	865,880
Maintenance Equipment/Vehicles	1,265,780	1,269,501
Construction in progress	181,594	28,968
Total	93,040,588	92,357,738
Less: Accumulated depreciation	(66,752,487)	(64,212,751)
Total	$26,288,101	$28,144,987

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

Table 5 - Change in Capital Assets - June 30, 2018

Beginning Balance - July 1, 2017	$28,144,987
Additions	870,416
Retirements, net of Depreciation	(105,533)
Depreciation	(2,621,769)
Ending Balance - June 30, 2018	$26,288,101
This year's major additions are:	
Capital Improvements Program	$670,294
Equipment Purchases	200,122
	$870,416

See Note 5 for additional information on capital assets.

Debt Outstanding

As of the year-end, the Authority's component unit had $549,705 in debt outstanding compared to $821,399 last year, a $271,694 decrease. No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

	2018	2017
Refinance of construction & acquisition	$821,399	$1,077,005
Add: Adjustment to interest amortization	$0	$1,657
Less: Current Portion	($271,694)	($257,263)
Total Outstanding Debt	$549,705	$821,399

See Note 6 for additional information on debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and Cash Equivalents:	
Cash and Cash Equivalents	$ 5,286,476
Cash - Restricted	270,471
Cash - Tenant Security Deposits	220,880
Total Cash and Cash Equivalents	5,777,827
Accounts and Notes Receivable:	
Accounts Receivable - HUD Other Projects	57,534
Accounts Receivable - Miscellaneous	32,549
Accounts Receivable - Tenants, Net	19,053
Notes, Loans, and Mortgages Receivable - Current	21,792
Fraud Recovery Receivable, net	87,548
Total Accounts and Notes Receivable	218,476
Other Current Assets:	
Inventories, Net	122,769
Prepaid Expenses and Other Assets	140,114
Total Other Current Assets	262,883
Total Current Assets	6,259,186
Non-Current Assets	
Capital Assets	
Non-Depreciable Capital Assets	5,353,843
Depreciable Capital Assets, Net	20,934,258
Total Capital Assets	26,288,101
Other Non-Current Assets	
Other Non-Current Assets - Pension	75,724
Notes, Loans, and Mortgages Receivable, Non-Current	1,580,052
Total Other Non-Current Assets	1,655,776
Total Non-Current Assets	27,943,877
Deferred Outflows of Resources	
Pension	986,687
OPEB	275,620
Total Deferred Outflows of Resources	1,262,307
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$35,465,370

See notes to the basic financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018
(CONTINUED)

LIABILITIES	
Current Liabilities	
Accounts Payable	$ 53,122
Accrued Wages and Payroll Taxes	101,238
Accrued Compensated Absences	337,267
Accrued Interest Payable	2,677
Accounts Payable - PILOT and Other	46,974
Tenant Security Deposits	197,908
Current Portion of Long-Term Debt	290,859
Other Current Liabilities	153,322
Total Current Liabilities	1,183,367
Non-Current Liabilities	
Long-Term Debt, Net of Current Portion	258,846
Accrued Compensated Absences	304,157
Non-Current Liabilities-FSS Escrow and Others	167,959
Net Pension Liability	5,403,282
Net OPEB Liability	3,745,360
Total Non-Current Liabilities	9,879,604
TOTAL LIABILITIES	11,062,971
Deferred Inflows of Resources	
Pension	1,486,719
OPEB	366,471
Total Deferred Inflows of Resources	1,853,190
NET POSITION	
Net Investment in Capital Assets	25,738,396
Restricted	102,512
Unrestricted (Deficit)	(3,291,699)
TOTAL NET POSITION	22,549,209
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 35,465,370

See notes to the basic financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue	
Net Tenant Rental Revenue	$ 2,739,602
Tenant Revenue-Other	222,569
	2,962,171
HUD PHA Operating Grants	28,251,048
Fraud Recovery	160,781
Other Revenue	347,619
Total Operating Revenues	31,721,619
Operating Expenses	
Administrative	5,366,724
Tenant Services	366,868
Utilities	2,239,147
Ordinary Maintenance And Operation	3,339,638
Protective Services	332,461
Insurance Premiums	471,907
Other General Expenses	1,074,344
Payments In Lieu Of Taxes	46,974
Bad Debt	233,948
Extraordinary Maintenance	148,827
Casualty Losses - Non-Capitalized	56,801
Housing Assistance Payments	18,265,980
Depreciation Expense	2,621,770
Total Operating Expenses	34,565,389
Operating Income/(Loss)	(2,843,770)
Non-Operating Revenues (Expenses)	
Investment Income - Unrestricted	68,533
Interest Expense	(46,435)
(Loss) on Sale/Removal of Capital Assets	23,390
Total Non-Operating Revenues (Expenses)	45,488
(Loss) Before Capital Contributions and Grants	(2,798,282)
Capital Grants	606,038
Change In Net Position	(2,192,244)
Total Net Position-Beginning	28,300,052
Prior Period Adjustment GASB 75 (See Note 13)	(3,558,599)
Total Net Position-Ending	$ 22,549,209

See notes to the basic financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities		
Tenant Revenue Received	$	2,973,487
Other Revenue Received		513,626
General and Administrative Expenses Paid		(31,226,266)
		(27,739,153)
Cash Flows from Non-Capital Financing Activities		
Government Operating Grants Received		28,256,344
Net Cash Provided (used) by Financing Activities		28,256,344
Cash Flows from Capital and Related Finacing Activities		
Government Capital Grants Received		619,482
Purchases of Land, Structures and Equipment		(741,494)
Total Payments to Retire Long Term Debt		(319,452)
Net Cash Provided (Used) by Capital and Related Finacing Activities		(441,464)
Cash Flows from Investing Activities		
Interest Received		68,533
Issuance of Notes Receivable		(16,236)
Net Cash Provided (Used) by Investing Activities		52,297
Increase (Decrease) in Cash and Cash Equivalents		128,024
Cash and Cash Equivalents - Beginning of Year		5,649,803
Cash and Cash Equivalents - End of Year	$	5,777,827
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	$	(2,843,770)
Adjustments to Change in Net Position		
HUD PHA Operating Grants		(28,251,048)
Add Back Non-Cash Items:		
Depreciation Expense		2,621,770
Decrease (Increase) in Operating Assets:		
Accounts Receivable		18,324
Prepaid Expenses		(54,512)
Inventory		8,508
Increase (Decrease) in Operating Liabilities:		
Accounts Payable		30,400
Accrued Liabilities		714,843
Other Liabilities		16,332
Total Adjustments		(24,895,383)
Net Cash Used by Operating Activities	$	(27,739,153)

See notes to the basic financial statements.

NOTE 1: DESCRIPTION OF THE ENTITY

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

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity – Amendments of GASB Statements No. 14 and No. 34*, in that financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Under this Statement, the financial reporting entity is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity and there is a financial benefit or burden. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. Under the definition of GASB Statement Number No. 61, the Lorain County Elderly Housing Corporation (LCEHC), an Ohio non-profit corporation, is a component unit of the Authority.

Lorain Metropolitan Housing Authority

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

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

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

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

Blended Component Unit

The Lorain County Elderly Housing Corporation (LCEHC), an Ohio non-profit corporation, is a component unit of the Authority and is organized for the purpose of providing a comprehensive and coordinated system of services for the elderly in the Lorain County area of northeastern Ohio.

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

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

Related Organization

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

Joint Venture

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

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

Basis of Accounting

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

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

Reporting Entity

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

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts - Bad Debt Expenses

With the Board of Directors approval, the Authority writes off unpaid tenants' accounts receivable balances for which there has been no payment activity for 30 days and for which an outstanding balance remains.

Fraud Recovery Receivable

Fraud recovery receivable represents the full amount of the accounts receivable from tenants who committed fraud or misrepresentation and now owe additional rent for prior periods or retroactive rent. The revenues associated with these accounts receivables have been recognized and an allowance account has been established for uncollectable amounts.

Notes Receivable Current

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

Notes Receivable Non-Current

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

Investments

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

Cash - Restricted

Restricted cash for the Authority represents amounts received from tenants for security deposits and FSS program escrow accounts.

Inventory

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

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

Land, Property, and Equipment

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

Buildings	40 Years
Computer Equipment	3 Years
Vehicles	5 Years
Office Equipment	5 Years
Other Equipment	5-10 Years
Leasehold Improvements	15 Years

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

Compensated Absences

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

Vacation leave earned at the end of the fiscal year is accrued based on the employee hourly rate multiplied by the employee vacation hour balance. Vacation leave cannot be carried forward from the anniversary date of one fiscal year to the anniversary date of the next fiscal year. The Executive Director can extend the carryover an additional 30 days. The Board of Directors can also extend the carryover, upon written approval. Employees are not eligible to receive monetary compensation for vacation leave in lieu of time off. The Authority and LCEHC record a liability for all vacation leave earned.

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

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

Net Position

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

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

Operating Revenues and Expenses

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

Interprogram Due To and Due From Other Entities

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

Use of Estimates

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

Budgetary Accounting

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

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

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority and its component unit (LCEHC) places deposits, pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 100 percent of the carrying value of the public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies. The carrying amount of the Authority's deposits was $5,777,827 at June 30, 2018, which includes $200 of petty cash, and the bank balance was $5,888,421 at June 30, 2018. The difference represents outstanding checks and other in-transit transactions of the bank balance. $250,000 was covered by federal depository insurance, $3,683,540 was held in Star Ohio and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

At June 30, 2018, the Authority had $3,683,540 held in STAR Ohio. STAR Ohio is a highly liquid investment pool with participation restricted to subdivisions of the State of Ohio. Due to the highly liquid nature of the fund, STAR Ohio resembles a money market fund and, therefore, has been treated as a cash equivalent by the Authority in the financial statements. The Authority's investment in the pool is not subject to custodial credit risk categorization because it is not evidenced by securities that exist in physical or book entry form.

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

STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but has adopted GASB Statement No. 79, Accounting and Financial Reporting for Cert External Investment Pools and Pool Participants. Investments in STAR Ohio are valued on the basis of the amortized cost valuation technique. For the year ended June 30 2018, there were no limitations on any participant withdrawals due to redemption notice periods, liquidity feed, or redemption gates.

Investments

The Authority has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet the Authority's cash flow needs and return on investment are secondary goals of the policy. The Authority does not purchase any form of derivative. Investments are held in certificates of deposit greater than 3 months but less than 1 year maturity. The Authority held no investments at June 30, 2018.

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

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

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

Concentration of Credit Risk
The Authority does not limit the amount that may be invested with any one issuer. However, the Authority does competitively bid banking services every 3 years, with 2 one-year options. In addition, all investments are collateralized as mentioned above.

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

For fiscal year 2016, Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” was effective. These GASB pronouncements had no effect on beginning net position. Accordingly, the Authority has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The below chart identifies the Authority's recurring fair value measurements as of June 30, 2018. All of the Authority’s investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

Unrestricted Cash and Cash Equivalents *	$ 5,286,476
Restricted Cash and Cash Equivalents	491,351
Total	$ 5,777,827
Carrying Amounts of Deposits	$ 5,777,827
Total	$ 5,777,827

* Includes Petty Cash

NOTE 4: **RESTRICTED CASH**

The Authority had the following restricted cash:

Housing Choice Voucher Housing Assitance Payment Balance	$ 102,512
Tenant Security Deposits	220,880
Family Self-Sufficiency Escrow Balance	167,959
Total Restricted Cash	$ 491,351

NOTE 5: **CAPITAL ASSETS**

The following is a summary of capital assets:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	$5,353,843	$0	$0	$5,353,843
Construction in Progress	28,968	691,223	(538,597)	181,594
Total Capital Assets Not Being Depreciated	5,382,811	691,223	(538,597)	5,535,437
Capital Assets Being Depreciated				
Buildings	84,839,546	517,668	(21,987)	85,335,227
Office Equipment	1,269,501	43,853	(47,574)	1,265,780
Maintenance Equipment	488,782	48,219	(7,202)	529,799
Vehicles	377,098	108,050	(110,803)	374,345
Total Capital Assets Being Depreciated	86,974,927	717,790	(187,566)	87,505,151
Less Accumulated Depreciation				
Buildings	(62,374,888)	(2,508,250)	0	(64,883,138)
Office Equipment	(1,090,095)	(36,745)	3,720	(1,123,120)
Maintenance Equipment	(408,227)	(46,238)	3,059	(451,406)
Vehicles	(339,541)	(30,536)	75,254	(294,823)
Total Accumulated Depreciation	(64,212,751)	(2,621,769)	82,033	(66,752,487)
Total Capital Assets Being Depreciated, Net	22,762,176	(1,903,979)	(105,533)	20,752,664
Capital Assets, Net	$28,144,987	($1,212,756)	($644,130)	26,288,101

NOTE 6: **DEBT AND LEASE OBLIGATIONS**

Long-Term Debt

Mortgage Loan

On April 4, 2012, a loan agreement in the amount of $2,000,000 with Lorain National Bank was executed for the purpose of providing funds to call outstanding LCEHC bonds (stated rate of 6.375 percent). The loan is payable in monthly installments of $26,040 from July through May, including interest at 5.75 percent for the period and $26,621 for June, including interest at 6.742%.

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

Fiscal Year	Principal Amount	Interest Amount	Total Amount	Interest Rate (%)
2019	$ 290,859	$ 28,593	$ 319,452	6.742%
2020	258,846	8,235	267,081	6.742%
	$ 549,705	$ 36,828	$ 586,533	

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

A reconciliation of long-term liabilities is shown below:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Mortgage Loan	$ 821,399	$ -	$ 271,694	$ 549,705	$ 290,859
Compensated Absences	629,831	584,088	572,495	641,424	337,268
FSS Escrows	150,763	124,610	107,414	167,959	-
Net OPEB Liability	3,612,892	132,468	-	3,745,360	-
Net Pension Liability	8,106,182	-	2,702,900	5,403,282	-
Total 2018	$ 13,321,067	$ 841,166	$ 3,654,503	$ 10,507,730	$ 628,127

Short Term Debt
The Authority has not engaged in short-term borrowing as characterized by GASB Statement No. 38 and, therefore, has no short-term debt obligations for the fiscal year ended June 30, 2018.

Lease Obligations
The Authority did not lease office equipment in the fiscal year ended June 30, 2018.

NOTE 7: **DEFINED BENEFIT PENSION PLAN**

Net Pension Liability

The net pension liability/(asset) reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the Member-Directed plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 62 with 5 years of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2017 - 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and 0.0 percent for 2018.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution for pension was $635,281 for fiscal year ending June 30, 2018.

Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability/(asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.035697%	0.051769%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.034442%	0.055625%	
Change in Proportionate Share	-0.001255%	0.003856%	
Proportionate Share of the Net Pension Liability/(Asset)	$ 5,403,282	$ (75,724)	$ 5,327,558
Pension Expense	$ 762,940	$ (4,936)	$ 758,004

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 5,518	$ -	$ 5,518
Changes of assumptions	645,725	6,617	652,342
Changes in proportion and differences between Authority contributions and proportionate share of contributions	5,874	520	6,394
Authority contributions subsequent to the measurement date	307,064	15,369	322,433
Total Deferred Outflows of Resources	$ 964,181	$22,506	$986,687
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 1,160,012	$ 11,949	$ 1,171,961
Differences between expected and actual experience	106,481	22,562	129,043
Changes in proportion and differences between Authority contributions and proportionate share of contributions	183,496	2,219	185,715
Total Deferred Inflows of Resources	$1,449,989	$36,730	$ 1,486,719

$322,433 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Year Ending June 30:			
2019	$ 374,373	$ (3,992)	$ 370,381
2020	(179,771)	(4,320)	(184,091)
2021	(510,809)	(6,693)	(517,502)
2022	(476,665)	(6,712)	(483,377)
2023	0	(2,517)	(2,517)
Thereafter	0	(5,059)	(5,059)
Total	$ (792,872)	$ (29,293)	$ (822,165)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006.

The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

Authority's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	$ 9,594,852	$ 5,403,282	$ 1,908,776
Combined Plan	$ (41,163)	$ (75,724)	$ (99,569)

NOTE 8: **POSTEMPLOYMENT BENEFITS**

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. OPEB are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

Upon termination or retirement, Member-Directed Plan participants can use vested retiree medical account funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest in health care over 15 years at a rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in health care over a five-year period at a rate of 20% per year. Health care coverage is neither guaranteed nor statutorily required.

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses.

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and decreased to 0.0 percent for 2018. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts was 4.0 percent for 2017. The Authority's contractually required contribution was $28,103 for fiscal year ending June 30, 2018.

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of total contributions relative to the total contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.035770%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.034490%
Change in Proportionate Share	-0.001280%
Proportionate Share of the Net OPEB Liability	$ 3,745,360
OPEB Expense	$ 277,612

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 2,918
Changes of assumptions	272,702
Total Deferred Outflows of Resources	$ 275,620
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 279,004
Changes in proportion and differences between Authority contributions and proportionate share of contributions	87,467
Total Deferred Inflows of Resources	$ 366,471

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

Year Ending June 30:	OPERS
2019	$ 20,205
2020	20,205
2021	(61,510)
2022	(69,751)
Total	$ (90,851)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The total OPEB liability was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Single Discount Rate	3.85 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 4,975,872	$ 3,745,360	$ 2,749,888

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the Authority's proportionate share of the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

NOTE 8: **POSTEMPLOYMENT BENEFITS** (Continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 3,583,511	$ 3,745,360	$ 3,912,546

NOTE 9: **INSURANCE COVERAGE**

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

	Deductible	Coverage Limits
Property	$ 5,000	$ 157,148,763
General Liability	0	1,000,000/2,000,000
Vehicle	500/500	ACV/1,000,000
Directors, Officers, and Trustees Liability	10,000	1,000,000/1,000,000
Blanket Position Bond	5,000	500,000
Umbrella Liability	10,000	3,000,000/3,000,000

The Authority has contracted with Housing Authority Property Insurance, Inc. (HAPI) for property liability insurance and outside vendors for employee and Board of Commissioner's fidelity insurance, auto and vehicle insurance, and office equipment insurance. Settlement claims have not exceeded this coverage in any of the past 3 years. There has been no significant reduction in coverage from the previous fiscal year.

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

NOTE 10: **RESTRICTED NET POSITION**

The Housing Choice Voucher Program requires that the equity portion attributable to the excess housing Assistance payments be reflected as restricted net assets. The corresponding funds are reflected in the restricted cash accounts.

Restricted Housing Choice Voucher Housing Assistance Money Market Accounts(HAP Portion)	$ 102,512
Total	$ 102,512

NOTE 11: **CONCENTRATIONS**

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

NOTE 12: **COMMITMENTS AND CONTINGENCIES**

Grants

The Authority and its component unit received financial assistance from a federal agency in the form of grants and from a county agency using a grant to provide four houses to the component unit. The disbursement of funds and assets received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at June 30, 2018.

Contingencies

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

NOTE 13: **CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's fiscal year 2018 financial statements. The effect on beginning net position/fund balance is presented below.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$	28,300,052
Adjustments:		
Net OPEB liability		(3,612,892)
Deferred Outflow - Payments Subsequent to Measurement Date		54,293
Restated Net Position June 30, 2017	$	24,741,453

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 14: **CAPITAL CONTRIBUTIONS**

The Lorain County Elderly Housing Corporation entered into an agreement with Lorain County to accept four houses built utilizing Neighborhood Stabilization program (NSP) funds for the purpose of renting these units to tenants whose income is below 120 percent of adjusted median income for a period of 20 years. The Authority receives the majority of its revenues from the U.S. Department of Housing and Urban Development and is subject to changes in Congressional acts or mandated changes by HUD.

NOTE 15: **BLENDED COMPONENT UNITS**

As of June 30, 2018, the condensed Statement of Net Position for the blended component unit (LCEHC) is as follows:

Assets	
Current Assets	$ 1,163,763
Noncurrent Assets	72,260
Non-depreciable capital assets	2,531,337
Total Assets	$ 3,767,360
Liabilities	
Current Liabilities	$ 406,186
Noncurrent Liabilities	872,260
Total Liabilities	1,278,446
Net Position	
Net Investment in Capital Assets	1,981,632
Unrestricted	507,282
Total Net Position	$ 2,488,914

As of June 30, 2018, the condensed Statement of Activities for the blended component unit (LCEHC) is as follows (see next page):

NOTE 15: **BLENDED COMPONENT UNITS** (Continued)

Operating Revenue	
Total Tenant Revenue	$ 625,910
HUD PHA Operating Grants	899,771
Other Revenue	11,375
Total Operating Revenue	1,537,056
Operating Expenses	
Depreciation	334,307
Other Operating Expenses	1,110,480
Total Operating Expenses	1,444,787
Operating Income	92,269
Nonoperating Revenue(Expense)	
Investment Income-Unrestricted	11,625
Interest Expense	(46,435)
Total Nonoperating Revenue(Expense)	(34,810)
Capital Contributions	-
Changes in Net Position	57,459
Beginning Net Position	2,623,915
Prior Period Adjustment GASB 75	(192,460)
Ending Net Position	$ 2,488,914

As of June 30, 2018, the condensed Statement of Cash Flows for the blended component unit is as follows:

Net Cash Provided by Operating Activities	$ 432,840
Net Cash Used in Investing Activities	(61,619)
Net Cash Used in Financing Activities	(271,694)
Net Increase(Decrease) in Cash and Cash Equivalents	99,527
Beginning Cash and Cash Equivalents	1,015,920
Ending Cash and Cash Equivalents	$ 1,115,447

Lorain Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System
Last 10 Fiscal Years (1)

Traditional Plan	2017	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.034442%	0.035697%	0.036793%	0.036427%	0.036427%
Authority's Proportionate Share of the Net Pension Liability	$5,403,282	$8,106,182	$6,373,011	$4,393,503	$4,294,269
Authority's Covered Payroll	$4,551,522	$4,614,681	$4,579,233	$4,465,941	4,464,562
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.66%	139.17%	98.38%	96.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	**2017**	**2016**	**2015**	**2014**	**2013**
Authority's Proportion of the Net Pension Asset	0.055625%	0.051769%	0.051330%	0.053023%	0.053023%
Authority's Proportionate Share of the Net Pension (Asset)	($75,724)	($28,813)	($24,979)	($20,415)	($5,564)
Authority's Covered Payroll	$227,811	$201,512	$186,809	$193,821	193,761
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	33.24%	14.30%	13.37%	10.53%	2.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%	114.83%	104.33%

(1) - Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information.

Lorain Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Contributions - Pension
Ohio Public Employees Retirement System
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions										
Traditional Plan	605,000	573,950	551,091	542,977	[1]	[1]	[1]	[1]	[1]	[1]
Combined Plan	30,281	26,598	22,878	22,933	[1]	[1]	[1]	[1]	[1]	[1]
Total Required Contributions	$635,281	$600,548	$573,969	$565,910	$583,732	$534,741	$475,282	$417,057	$377,835	$309,033
Contributions in Relation to the Contractually Required Contribution	($635,281)	($600,548)	($573,969)	($565,910)	($583,732)	($534,741)	($475,282)	($417,057)	($377,835)	($309,033)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered Payroll										
Traditional Plan	4,485,132	4,594,634	$4,592,425	$4,524,808	[1]	[1]	[1]	[1]	[1]	[1]
Combined Plan	224,488	212,925	$190,650	$191,108	[1]	[1]	[1]	[1]	[1]	[1]
Total Covered Payroll	4,709,620	4,807,559	4,783,075	4,715,916	4,668,352	4,655,817	4,752,820	4,537,806	4,318,785	3,989,865
Pension Contributions as a Percentage of Covered Payroll										
Traditional Plan	13.49%	12.49%	12.00%	12.00%	[1]	[1]	[1]	[1]	[1]	[1]
Combined Plan	13.49%	12.49%	12.00%	12.00%	[1]	[1]	[1]	[1]	[1]	[1]
Total	13.49%	12.49%	12.00%	12.00%	12.50%	11.49%	10.00%	9.19%	8.75%	7.75%

[1] – Information broken down by pension plan (Traditional vs. Combined) was not available.

See accompanying notes to the required supplementary information

Lorain Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Two Fiscal Years (1)

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.034490%	0.035770%
Authority's Proportionate Share of the Net OPEB Liability	$ 3,745,360	$ 3,612,892
Authority's Covered Payroll	$ 4,885,705	$ 4,943,222
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.66%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

Lorain Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Contributions - OPEB
Ohio Public Employees Retirement System
Last 10 Fiscal Years (1)

	2018	2017	2016	2015
Contractually Required Contribution	$ 28,103	$ 77,013	$ 98,570	$ 94,957
Contributions in Relation to the Contractually Required Contribution	(28,103)	(77,013)	(98,570)	(94,957)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 4,814,438	$ 4,921,320	$ 4,893,432	$ 4,780,364
Contributions as a Percentage of Covered Payroll	0.58%	1.56%	2.01%	1.99%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

NOTE 1: **PRESENTATION**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs				
Low Income Housing Assistance Programs:				
Section 8 Housing Choice Voucher	14.871	N/A	$ -	$ 19,893,032
Public Housing - Operating Subsidy	14.850	N/A	-	6,407,898
Public Housing Capital Fund Program	14.872	N/A	-	1,487,609
Section 8 New Construction	14.182	LCEHC	899,771	899,771
Resident Opportunity and Supportive Services Grant	14.870	N/A	-	66,072
Family Self-Sufficiency Program Coordinators	14.896	N/A	-	102,704
Total U.S. Department of Housing and Urban Development			899,771	28,857,086
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 899,771	$ 28,857,086

NOTE 1: **PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the federal grant activity of the Authority. This Schedule has been prepared on the accrual basis of accounting as required by accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$3,396,178			$181,995	$1,058,184	$152,341	$497,778	$5,286,476		$5,286,476
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	$77,956			$192,515				$270,471		$270,471
114 Cash - Tenant Security Deposits	$153,442				$57,263	$10,175		$220,880		$220,880
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	$3,627,576	$0	$0	$374,510	$1,115,447	$162,516	$497,778	$5,777,827	$0	$5,777,827
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	$38,095	$10,044	$9,395					$57,534		$57,534
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous	$282			$2,906		$29,361		$32,549		$32,549
126 Accounts Receivable - Tenants	$17,953				$1,522	$841		$20,316		$20,316
126.1 Allowance for Doubtful Accounts -Tenants	-$1,163			$0	-$39	-$61		-$1,263		-$1,263
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0		$0		$0
127 Notes, Loans, & Mortgages Receivable - Current	$21,544				$248			$21,792		$21,792
128 Fraud Recovery	$49,945			$55,308	$5,461			$110,714		$110,714
128.1 Allowance for Doubtful Accounts - Fraud	-$4,274			-$18,805	-$87			-$23,166		-$23,166
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	$122,382	$10,044	$9,395	$39,409	$7,105	$30,141	$0	$218,476	$0	$218,476
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	$80,153			$11,994	$29,105	$405	$18,457	$140,114		$140,114
143 Inventories	$115,047				$12,586			$127,633		$127,633
143.1 Allowance for Obsolete Inventories	-$4,384				-$480			-$4,864		-$4,864
144 Inter Program Due From						$16,682		$16,682	-$16,682	$0
145 Assets Held for Sale										
150 Total Current Assets	$3,940,774	$10,044	$9,395	$425,913	$1,163,763	$209,744	$516,235	$6,275,868	-$16,682	$6,259,186
161 Land	$4,532,801			$69,400	$333,878	$417,764		$5,353,843		$5,353,843
162 Buildings	$73,112,216			$1,010,838	$9,233,771	$705,176	$1,273,226	$85,335,227		$85,335,227
163 Furniture, Equipment & Machinery - Dwellings	$507,931				$228,415		$167,798	$904,144		$904,144
164 Furniture, Equipment & Machinery - Administration	$126,030			$452,644	$52,906	$27,286	$606,914	$1,265,780		$1,265,780
165 Leasehold Improvements										
166 Accumulated Depreciation	-$56,252,481			-$1,031,759	-$7,358,322	-$359,609	-$1,750,316	-$66,752,487		-$66,752,487
167 Construction in Progress	$117,339				$40,689	$2,400	$21,166	$181,594		$181,594
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	$22,143,836	$0	$0	$501,123	$2,531,337	$793,017	$318,788	$26,288,101	$0	$26,288,101
171 Notes, Loans and Mortgages Receivable - Non-Current	$1,580,052							$1,580,052		$1,580,052
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets	$37,358			$13,014	$4,095		$21,257	$75,724		$75,724
176 Investments in Joint Ventures										
180 Total Non-Current Assets	$23,761,246	$0	$0	$514,137	$2,535,432	$793,017	$340,045	$27,943,877	$0	$27,943,877
200 Deferred Outflow of Resources	$624,511			$216,357	$68,165		$353,274	$1,262,307		$1,262,307
290 Total Assets and Deferred Outflow of Resources	$28,326,531	$10,044	$9,395	$1,156,407	$3,767,360	$1,002,761	$1,209,554	$35,482,052	-$16,682	$35,465,370

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	$28,106			$7,809	$2,687		$14,520	$53,122		$53,122
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	$50,359	$1,612	$1,145	$16,961	$5,591	$129	$25,441	$101,238		$101,238
322 Accrued Compensated Absences - Current Portion	$141,669			$49,253	$11,829		$134,516	$337,267		$337,267
324 Accrued Contingency Liability										
325 Accrued Interest Payable					$2,677			$2,677		$2,677
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	$18,588				$28,386			$46,974		$46,974
341 Tenant Security Deposits	$141,654				$53,259	$2,995		$197,908		$197,908
342 Unearned Revenue										
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					$290,859			$290,859		$290,859
344 Current Portion of Long-term Debt - Operating Borrow ings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other	$108,480			$24,140	$10,898	$575	$9,229	$153,322		$153,322
347 Inter Program - Due To		$8,432	$8,250					$16,682	-$16,682	$0
348 Loan Liability - Current										
310 Total Current Liabilities	$488,856	$10,044	$9,395	$98,163	$406,186	$3,699	$183,706	$1,200,049	-$16,682	$1,183,367
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					$258,846			$258,846		$258,846
352 Long-term Debt, Net of Current - Operating Borrow ings										
353 Non-current Liabilities - Other	$77,956			$90,003				$167,959		$167,959
354 Accrued Compensated Absences - Non Current	$91,288			$83,995	$10,132		$118,742	$304,157		$304,157
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	$4,513,349			$1,572,331	$494,787		$2,568,175	$9,148,642		$9,148,642
350 Total Non-Current Liabilities	$4,682,593	$0	$0	$1,746,329	$763,765	$0	$2,686,917	$9,879,604	$0	$9,879,604
300 Total Liabilities	$5,171,449	$10,044	$9,395	$1,844,492	$1,169,951	$3,699	$2,870,623	$11,079,653	-$16,682	$11,062,971
400 Deferred Inflow of Resources	$906,328			$324,708	$108,495		$513,659	$1,853,190		$1,853,190
508.4 Net Investment in Capital Assets	$22,143,836			$501,123	$1,981,632	$793,017	$318,788	$25,738,396		$25,738,396
511.4 Restricted Net Position				$102,512				$102,512		$102,512
512.4 Unrestricted Net Position	$104,918	$0	$0	-$1,616,428	$507,282	$206,045	-$2,493,516	-$3,291,699		-$3,291,699
513 Total Equity - Net Assets / Position	$22,248,754	$0	$0	-$1,012,793	$2,488,914	$999,062	-$2,174,728	$22,549,209	$0	$22,549,209
600 Total Liabilities, Deferred Inflow s of Resources and Equity - Net	$28,326,531	$10,044	$9,395	$1,156,407	$3,767,360	$1,002,761	$1,209,554	$35,482,052	-$16,682	$35,465,370

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$2,081,341				$616,248	$42,013		$2,739,602		$2,739,602
70400 Tenant Revenue - Other	$212,335				$9,662	$572		$222,569		$222,569
70500 Total Tenant Revenue	$2,293,676	$0	$0	$0	$625,910	$42,585	$0	$2,962,171	$0	$2,962,171
70600 HUD PHA Operating Grants	$7,289,469	$102,704	$66,072	$19,893,032	$899,771			$28,251,048		$28,251,048
70610 Capital Grants	$606,038							$606,038		$606,038
70710 Management Fee							$1,570,575	$1,570,575	-$1,570,575	$0
70720 Asset Management Fee							$172,190	$172,190	-$172,190	$0
70730 Book Keeping Fee							$330,445	$330,445	-$330,445	$0
70740 Front Line Service Fee							$5,733	$5,733	-$5,733	$0
70750 Other Fees										
70700 Total Fee Revenue							$2,078,943	$2,078,943	-$2,078,943	$0
70800 Other Government Grants										
71100 Investment Income - Unrestricted	$36,278			$851	$11,625	$2,241	$1,302	$52,297		$52,297
71200 Mortgage Interest Income	$16,236							$16,236		$16,236
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery	$74,529			$85,640	$612			$160,781		$160,781
71500 Other Revenue	$225,838			$22,598	$10,763	$30,659	$81,761	$371,619	-$24,000	$347,619
71600 Gain or Loss on Sale of Capital Assets	$7,500						$15,890	$23,390		$23,390
72000 Investment Income - Restricted										
70000 Total Revenue	$10,549,564	$102,704	$66,072	$20,002,121	$1,548,681	$75,485	$2,177,896	$34,522,523	-$2,102,943	$32,419,580
91100 Administrative Salaries	$1,075,461			$769,784	$164,908		$1,230,531	$3,240,684		$3,240,684
91200 Auditing Fees	$7,992			$7,992	$3,996		$513	$20,493		$20,493
91300 Management Fee	$1,138,300			$325,383	$106,892			$1,570,575	-$1,570,575	$0
91310 Book-keeping Fee	$126,720			$203,365	$360			$330,445	-$330,445	$0
91400 Advertising and Marketing	$4,201			$67	$2,588	$400	$15,352	$22,608		$22,608
91500 Employee Benefit contributions - Administrative	$494,502			$358,504	$47,931		$425,896	$1,326,833		$1,326,833
91600 Office Expenses	$273,380			$111,285	$39,066	$15,092	$158,675	$597,498		$597,498
91700 Legal Expense	$67,078			$21,564	$3,341	$3,000	$12,825	$107,808		$107,808
91800 Travel	$1,657			$338	$323	$10	$1,270	$3,598		$3,598
91810 Allocated Overhead										
91900 Other	$18,151		$5,387	$8,782	$4,405	$10	$34,467	$71,202	-$24,000	$47,202
91000 Total Operating - Administrative	$3,207,442	$0	$5,387	$1,807,064	$373,810	$18,512	$1,879,529	$7,291,744	-$1,925,020	$5,366,724
92000 Asset Management Fee	$171,710				$480			$172,190	-$172,190	$0
92100 Tenant Services - Salaries	$75,635	$68,023	$42,779	$3,213	$14,441		$17,405	$221,496		$221,496
92200 Relocation Costs	$18,782				$601			$19,383		$19,383
92300 Employee Benefit Contributions - Tenant Services	$29,706	$34,681	$17,906	$1,291	$5,725		$5,643	$94,952		$94,952
92400 Tenant Services - Other	$29,036				$1,755		$246	$31,037		$31,037
92500 Total Tenant Services	$153,159	$102,704	$60,685	$4,504	$22,522	$0	$23,294	$366,868	$0	$366,868
93100 Water	$550,453			$1,361	$47,951	$2,642	$733	$603,140		$603,140
93200 Electricity	$377,771			$19,247	$184,054	$3,923	$10,364	$595,359		$595,359
93300 Gas	$215,281			$9,180	$810	$7,745	$5,049	$238,065		$238,065
93400 Fuel										
93500 Labor										
93600 Sewer	$728,645			$1,474	$68,490	$3,180	$794	$802,583		$802,583
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense						$0		$0		$0
93000 Total Utilities	$1,872,150	$0	$0	$31,262	$301,305	$17,490	$16,940	$2,239,147	$0	$2,239,147
94100 Ordinary Maintenance and Operations - Labor	$1,104,011				$73,897	$3,409	$16,930	$1,198,247		$1,198,247
94200 Ordinary Maintenance and Operations - Materials and Other	$353,323			$2,536	$26,868	$2,351	$10,932	$396,010		$396,010
94300 Ordinary Maintenance and Operations Contracts	$1,036,648			$3,283	$125,359	$15,524	$44,621	$1,225,435	-$5,733	$1,219,702
94500 Employee Benefit Contributions - Ordinary Maintenance	$478,002				$39,394	$1,334	$6,949	$525,679		$525,679
94000 Total Maintenance	$2,971,984	$0	$0	$5,819	$265,518	$22,618	$79,432	$3,345,371	-$5,733	$3,339,638

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2018

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
95100 Protective Services - Labor	$49,823				$7,183		$3,096	$60,102		$60,102
95200 Protective Services - Other Contract Costs	$245,909				$8,553		$915	$255,377		$255,377
95300 Protective Services - Other	$131							$131		$131
95500 Employee Benefit Contributions - Protective Services	$14,728				$2,123			$16,851		$16,851
95000 Total Protective Services	$310,591	$0	$0	$0	$17,859	$0	$4,011	$332,461	$0	$332,461
96110 Property Insurance	$222,336			$2,951	$15,715	$1,486	$680	$243,168		$243,168
96120 Liability Insurance	$61,441			$15,176	$8,594	$934	$600	$86,745		$86,745
96130 Workmen's Compensation	$25,750			$8,396	$2,634		$15,490	$52,270		$52,270
96140 All Other Insurance	$53,105			$5,169	$7,219		$24,231	$89,724		$89,724
96100 Total insurance Premiums	$362,632	$0	$0	$31,692	$34,162	$2,420	$41,001	$471,907	$0	$471,907
96200 Other General Expenses	$569,483			$134,596	$38,854	$5,596	$209,147	$957,676		$957,676
96210 Compensated Absences	$59,898			$4,262	$8,354			$72,514		$72,514
96300 Payments in Lieu of Taxes	$18,588				$28,386			$46,974		$46,974
96400 Bad debt - Tenant Rents	$191,046			$34,491	$8,350	$61		$233,948		$233,948
96500 Bad debt - Mortgages										
96600 Bad debt - Other							$505	$505		$505
96800 Severance Expense	$9,001			$218	$380		$34,050	$43,649		$43,649
96000 Total Other General Expenses	$848,016	$0	$0	$173,567	$84,324	$5,657	$243,702	$1,355,266	$0	$1,355,266
96710 Interest of Mortgage (or Bonds) Payable					$46,435			$46,435		$46,435
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$0	$46,435	$0	$0	$46,435	$0	$46,435
96900 Total Operating Expenses	$9,897,684	$102,704	$66,072	$2,053,908	$1,146,415	$66,697	$2,287,909	$15,621,389	-$2,102,943	$13,518,446
97000 Excess of Operating Revenue over Operating Expenses	$651,880	$0	$0	$17,948,213	$402,266	$8,788	-$110,013	$18,901,134	$0	$18,901,134
97100 Extraordinary Maintenance	$138,327				$10,500			$148,827		$148,827
97200 Casualty Losses - Non-capitalized	$56,801							$56,801		$56,801
97300 Housing Assistance Payments				$18,265,980				$18,265,980		$18,265,980
97350 HAP Portability-In										
97400 Depreciation Expense	$2,165,338			$32,418	$334,307	$34,707	$55,000	$2,621,770		$2,621,770
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	$12,258,150	$102,704	$66,072	$20,352,306	$1,491,222	$101,404	$2,342,909	$36,714,767	-$2,102,943	$34,611,824
10010 Operating Transfer In	$825,600			$58,000				$883,600	-$883,600	$0
10020 Operating transfer Out	-$825,600						-$58,000	-$883,600	$883,600	$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	$58,000	$0	$0	-$58,000	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$1,708,586	$0	$0	-$292,185	$57,459	-$25,919	-$223,013	-$2,192,244	$0	-$2,192,244
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$273,017	$0	$0	$273,017		$273,017
11030 Beginning Equity	$25,712,922	$0	$0	-$109,009	$2,623,915	$1,024,981	-$952,757	$28,300,052		$28,300,052
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$1,755,582			-$611,599	-$192,460		-$998,958	-$3,558,599		-$3,558,599
11170 Administrative Fee Equity				-$1,115,305				-$1,115,305		-$1,115,305
11180 Housing Assistance Payments Equity				$102,512				$102,512		$102,512
11190 Unit Months Available	17190			37168	2448	84		56890		56890
11210 Number of Unit Months Leased	16890			35678	2420	76		55064		55064
11270 Excess Cash	$2,395,690							$2,395,690		$2,395,690
11610 Land Purchases	$0						$0	$0		$0
11620 Building Purchases	$606,038						$0	$606,038		$606,038
11630 Furniture & Equipment - Dwelling Purchases	$0						$0	$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0						$0	$0		$0
11650 Leasehold Improvements Purchases	$0						$0	$0		$0
11660 Infrastructure Purchases	$0						$0	$0		$0
13510 CFFP Debt Service Payments	$0						$0	$0		$0
13901 Replacement Housing Factor Funds	$0						$0	$0		$0

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF MODERNIZATION COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2018

Description	Note A OH012FSH415A015 ROSS Grant
Funds Approved - Latest Budget	$ 111,120
Funds Advanced	111,120
Funds Expended	111,120
Difference Between Funds Advanced and Funds Expended	$ 0

Note A: This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2018.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2018

The Lorain Metropolitan Housing Authority had a total of 4,690 units under its management. See details below:

Management	Units Available	Average Number of Units Leased in Fiscal Year
Lorain Metropolitan Housing Authority		
Low income public housing	1,382	1,358
Section 8 vouchers	3,097	2,973
General fund (not HUD funded)	7	6
Total	4,486	4,337
Lorain County Elderly Housing Corporation		
Section 8 new construction	204	202
Total LMHA and LCEHC	4,690	4,539

Perry & Associates
Certified Public Accountants, A.C.

313 Second St.
Marietta, Oh 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

December 14, 2018

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

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Lorain Metropolitan Housing Authority,** Lorain County, (the Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 14, 2018, wherein we noted the Authority adopted new accounting guidance in Governmental Account Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Perry & Associates CPA's A.C.

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

Perry & Associates
Certified Public Accountants, A.C.

313 Second St.
Marietta, Oh 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 14, 2018

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

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited **Lorain Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal programs.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditor's Responsibility (Continued)

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Perry & Associates CPA's A.C.

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

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Section 8 Housing Choice Voucher CFDA # 14.871 Section 8 New Construction CFDA # 14.182
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 865,713 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE
KEITH FABER

LORAIN COUNTY METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 26, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov