

**LORAIN METROPOLITAN
HOUSING AUTHORITY
LORAIN COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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



Dave Yost • Auditor of State

Board of Directors
Lorain Metropolitan Housing Authority and
Lorain County Elderly Housing Corporation
1600 Kansas Avenue
Lorain, Ohio 44052

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, and the Lorain County Elderly Housing Corporation (a component unit of the Housing Authority), prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 22, 2014

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**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Lorain Metropolitan Housing Authority, Lorain County, Ohio as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the of the Lorain Metropolitan Housing Authority, Ohio, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements for the fiscal year 2013, the Authority adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*. As a result, the Lorain County Elderly Housing Corporation is now considered a blended component unit in the Authority's financial statements, rather than discretely presented.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements. The Schedule of Modernization Costs - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Modernization Costs - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Modernization Costs - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lorain Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.



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

December 3, 2013

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)**

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

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

FINANCIAL HIGHLIGHTS

- The net position decreased by \$104,451, or .3 percent, during 2013. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net position. Net position was \$40,453,734 and \$40,558,185 for 2013 and 2012, respectively.
- The business-type activities' revenue increased by \$2,254,862, or 7.1 percent, during 2013 and was \$34,079,020 and \$31,824,158 for 2013 and 2012, respectively.
- The total expenses increased by \$1,639,189, or 5.0 percent. Total expenses were \$34,183,471 and \$32,544,282 for 2013 and 2012, respectively.

Financial Statements

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

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

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

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

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

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)

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

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

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

The Authority's Programs

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

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

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.

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)**

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

| | 2013 | 2012 |
|---------------------------------|----------------------|----------------------|
| <u>Assets</u> | | |
| Current and Other Assets | \$ 12,384,673 | \$ 12,946,889 |
| Capital Assets | 31,629,926 | 31,442,450 |
| Total Assets | 44,014,599 | 44,389,339 |
| <u>Liabilities</u> | | |
| Current Liabilities | 1,589,086 | 1,669,947 |
| Long-Term Liabilities | 1,971,779 | 2,161,207 |
| Total Liabilities | 3,560,865 | 3,831,154 |
| <u>Net Position</u> | | |
| Ne Investment in Capital Assets | 29,867,461 | 29,476,742 |
| Restricted | 2,122,802 | 3,028,878 |
| Unrestricted | 8,463,471 | 8,052,565 |
| Total Net Position | \$ 40,453,734 | \$ 40,558,185 |

For more detailed information, see the Statement of Net Position

Major Factors Affecting the Statement of Net Positions

Current and other assets were decreased by \$562,216, while current liabilities were decreased by \$80,861. Current assets, primarily cash and investments, decreased due to the excess Housing Choice Voucher Housing Assistance Payment funding that remained at end of fiscal year 2012 was used during fiscal year 2013, and the results of operations. Current liabilities decreased primarily due to the timing of work completion and invoicing on capital projects.

Capital assets increased by \$187,476 from \$31,442,450 to \$31,629,926.

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)**

Table 2 - Change of Unrestricted Net Position

| | | |
|---|-----------|------------------|
| Unrestricted Net Position at June 30, 2012 | \$ | 8,052,565 |
| Results of Operations: | | (104,451) |
| Adjustments | | |
| Depreciation (1) | | 3,124,007 |
| Adjusted Results from Operations | | 3,019,556 |
| Net Change in Restricted Assets (3) | | (906,076) |
| Net Change in Capital Assets (2) | | (1,702,574) |
| Unrestricted Net Position at June 30, 2013 | \$ | 8,463,471 |

- (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 2012 for fiscal year 2013 expenses, the restriction of insurance proceeds, and the use of previously restricted investments and/or cash for specific modernization projects.

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

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

| | 2013 | 2012 |
|------------------------------------|---------------------|---------------------|
| Revenue | | |
| Tenant Revenue - Rents and Other | \$ 2,571,557 | \$ 2,477,671 |
| Operating Subsidies and Grants | 25,717,365 | 27,244,778 |
| Capital Grants | 3,424,872 | 1,304,965 |
| Fraud Recovery | 217,069 | 175,470 |
| Investment Income | 15,904 | 27,549 |
| Other Revenues | 2,132,253 | 593,725 |
| Total Revenue | 34,079,020 | 31,824,158 |
| Expenses | | |
| Administrative | 5,289,870 | 5,450,277 |
| Tenant Services | 294,882 | 285,238 |
| Utilities | 1,696,404 | 1,555,744 |
| Maintenance | 3,169,480 | 3,171,432 |
| Protective Services | 380,308 | 342,595 |
| General | 1,320,357 | 1,060,004 |
| Housing Assistance Payments | 18,692,806 | 17,698,846 |
| Loss on Disposal of Capital Assets | 215,357 | 2,447 |
| Depreciation | 3,124,007 | 2,977,699 |
| Total Expenses | 34,183,471 | 32,544,282 |
| Net Increase/(Decrease) | \$ (104,451) | \$ (720,124) |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)**

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

Total revenues increased by \$2,254,862. This increase is primarily the result of the timing differences in Capital Fund projects from year to year.

Total expenses increased \$1,639,189. This increase is primarily the result of increased Housing Choice Voucher Assistance Payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$31,629,926 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions, and depreciation) of \$187,476 from the end of last year.

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

| | 2013 | 2012 |
|---------------------------------|----------------------|----------------------|
| Land | \$ 5,354,400 | \$ 5,337,452 |
| Buildings | 83,309,855 | 82,263,802 |
| Office Equipment | 1,291,492 | 1,431,205 |
| Maintenance Equipmenet/Vehicles | 891,542 | 830,609 |
| Construction in Progress | 573,213 | 498,510 |
| Total | 91,420,502 | 90,361,578 |
| Less: Accumulated Depreciation | (59,790,576) | (58,919,128) |
| Total | \$ 31,629,926 | \$ 31,442,450 |

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, 2013

| | |
|--|----------------------|
| Beginning Balance - July 1, 2012 | \$ 31,442,450 |
| Additions | 3,538,129 |
| Retirements, Net of Accumulated Depreciation | (226,646) |
| Depreciation | (3,124,007) |
| Ending Balance - June 30, 2013 | \$ 31,629,926 |
| This year's major additions are: | |
| Capital Improvements Program | \$ 3,363,029 |
| Equipment Purchases | 158,152 |
| Land Purchases | 16,948 |
| Total Additions | \$ 3,538,129 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Unaudited)**

Debt Outstanding

As of the year-end, the Authority's component unit had \$1,545,672 in debt outstanding compared to \$1,762,465 last year, a \$216,793 decrease. No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

| | 2013 | 2012 |
|--|---------------------|---------------------|
| Refinance of Construction and Acquisition | \$ 1,762,465 | \$ 2,945,000 |
| Less: Reduction Due to Refinance/Adjusted Interest | 0 | (979,292) |
| Less: Current Portion | (216,793) | (203,243) |
| Total Outstanding Debt | \$ 1,545,672 | \$ 1,762,465 |

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, 2013

ASSETS

Current Assets

Cash and Cash Equivalents:

| | |
|---------------------------------|--------------|
| Cash and Cash Equivalents: | \$ 5,931,495 |
| Cash - Restricted | 2,562,795 |
| Cash - Tenant Security Deposits | 204,882 |
| Total Cash and Cash Equivalents | 8,699,172 |

Accounts and Notes Receivable:

| | |
|--|---------|
| Accounts Receivable - HUD Other Projects | 51,752 |
| Accounts Receivable - Miscellaneous | 32,615 |
| Accounts Receivable - Tenants, Net | 17,947 |
| Notes, Loans, and Mortgages Receivable - Current | 19,670 |
| Fraud Recovery Receivable, net | 82,293 |
| Accrued Interest Receivable | 2,665 |
| Total Accounts and Notes Receivable | 206,942 |

Other Current Assets:

| | |
|-----------------------------------|-------------------|
| Investments - Unrestricted | 2,000,000 |
| Inventories, Net | 145,279 |
| Prepaid Expenses and Other Assets | 87,322 |
| Total Other Current Assets | 2,232,601 |
| Total Current Assets | 11,138,715 |

Non-Current Assets

Capital Assets

| | |
|---------------------------------|------------|
| Non-Depreciable Capital Assets | 5,927,613 |
| Depreciable Capital Assets, Net | 25,702,313 |
| Total Capital Assets | 31,629,926 |

Other Non-Current Assets

| | |
|---|-------------------|
| Notes, Loans, and Mortgages Receivable, Non-Current | 1,245,958 |
| Total Other Non-Current Assets | 1,245,958 |
| Total Non-Current Assets | 32,875,884 |

| | |
|---------------------|----------------------|
| TOTAL ASSETS | \$ 44,014,599 |
|---------------------|----------------------|

See notes to the basic financial statements.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2013
(CONTINUED)

LIABILITIES

Current Liabilities

| | |
|------------------------------------|------------------|
| Accounts Payable | \$ 1,305 |
| Accrued Wages and Payroll Taxes | 258,824 |
| Accrued Compensated Absences | 348,724 |
| Accrued Interest Payable | 7,319 |
| Accounts Payable - PILOT and Other | 44,482 |
| Tenant Security Deposits | 190,594 |
| Current Portion of Long-Term Debt | 216,793 |
| Other Current Liabilities | 521,045 |
| Total Current Liabilities | <u>1,589,086</u> |

Non-Current Liabilities

| | |
|---|------------------|
| Long-Term Debt, Net of Current Portion | 1,545,672 |
| Accrued Compensated Absences | 306,758 |
| Non-Current Liabilities-FSS Escrow and Others | 119,349 |
| Total Non-Current Liabilities | <u>1,971,779</u> |
| TOTAL LIABILITIES | <u>3,560,865</u> |

NET POSITION

| | |
|----------------------------------|-------------------|
| Net Investment in Capital Assets | 29,867,461 |
| Restricted | 2,122,802 |
| Unrestricted | 8,463,471 |
| TOTAL NET POSITION | <u>40,453,734</u> |

| | |
|---|---------------------|
| TOTAL LIABILITIES AND NET POSITION | <u>\$44,014,599</u> |
|---|---------------------|

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, 2013**

| | |
|---|-----------------------------|
| <u>Operating Revenue</u> | |
| Net Tenant Rental Revenue | \$ 2,345,361 |
| Tenant Revenue-Other | 226,196 |
| | <u>2,571,557</u> |
| HUD PHA Operating Grants | 25,717,365 |
| Fraud Recovery | 217,069 |
| Other Revenue | 1,514,025 |
| Total Operating Revenues | <u><u>30,020,016</u></u> |
| <u>Operating Expenses</u> | |
| Administrative | 5,289,870 |
| Tenant Services | 294,882 |
| Utilities | 1,696,404 |
| Ordinary Maintenance And Operation | 3,169,480 |
| Protective Services | 380,308 |
| Insurance Premiums | 390,502 |
| Other General Expenses | 203,039 |
| Payments In Lieu Of Taxes | 44,482 |
| Bad Debt | 208,701 |
| Extraordinary Maintenance | 286,558 |
| Casualty Losses - Non-Capitalized | 78,680 |
| Housing Assistance Payments | 18,692,806 |
| Depreciation Expense | 3,124,007 |
| Total Operating Expenses | <u><u>33,859,719</u></u> |
| Operating Income | <u><u>(3,839,703)</u></u> |
| <u>Non-Operating Revenues (Expenses)</u> | |
| (Loss) On Capital Assets | (215,357) |
| Investment Income - Unrestricted | 15,128 |
| Investment Income - Restricted | 776 |
| Interest Expense | (108,395) |
| Total Non-Operating Revenues (Expenses) | <u><u>(307,848)</u></u> |
| (Loss) Before Capital Contributions and Grants | <u><u>(4,147,551)</u></u> |
| Capital Grants | 3,424,872 |
| Capital Contributions | 618,228 |
| Change In Net Position | <u><u>(104,451)</u></u> |
| Total Net Position-Beginning | <u><u>40,558,185</u></u> |
| Total Net Position-Ending | <u><u>\$ 40,453,734</u></u> |

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cash Flows from Operating Activities

| | |
|---|----------------------------|
| Tenant Revenue Received | \$ 2,561,623 |
| Other Revenue Received | 1,611,373 |
| General and Administrative Expenses Paid | <u>(30,686,367)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(26,513,371)</u> |

Cash flows from Non-Capital Financing Activities

| | |
|---|--------------------------|
| Government Operating Grants Received | <u>25,713,176</u> |
| Net Cash Provided (Used) by Financing Activities | <u>25,713,176</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|---|-----------------------|
| Government Capital Grants Received | 3,712,309 |
| Capital Contributions | 618,228 |
| Purchases of Land, Structures and Equipment | (3,538,129) |
| Total Payments to Retire Long Term Debt | (312,482) |
| Cash from Sale of Capital Assets | <u>11,289</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>491,215</u> |

Cash Flows from Investing Activities

| | |
|---|-------------------------|
| Purchase of Investments | (2,000,000) |
| Proceeds from Sale of Investments | 7,700,000 |
| Interest Received | 25,254 |
| Issuance of Notes Receivable | <u>(1,245,958)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>4,479,296</u> |
| Increase in Cash and Cash Equivalents | 4,170,316 |

| | |
|---|------------------|
| Cash and Cash Equivalents - Beginning of Year | <u>4,528,856</u> |
|---|------------------|

| | |
|--|----------------------------|
| Cash and Cash Equivalents - End of Year | <u>\$ 8,699,172</u> |
|--|----------------------------|

**Reconciliation of Operating Income to
Net Cash Provided by Operating Activities**

| | |
|---|-----------------------|
| Operating Income | <u>\$ (3,839,703)</u> |
| Adjustments to Change in Net Position | |
| HUD PHA operating grants | (25,717,365) |
| Add Back Non-Cash Items: | |
| Depreciation Expense | 3,124,007 |
| Decrease (Increase) in Operating Assets: | |
| Accounts Receivable | (30,965) |
| Prepaid Expenses | (9,009) |
| Inventory | 25,865 |
| Increase (Decrease) in Operating Liabilities: | |
| Accounts Payable | (118,146) |
| Accrued Liabilities | 65,194 |
| Other Liabilities | <u>(13,249)</u> |
| Total Adjustments | <u>(22,673,668)</u> |

| | |
|--|-------------------------------|
| Net Cash Used by Operating Activities | <u>\$ (26,513,371)</u> |
|--|-------------------------------|

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1: DESCRIPTION OF THE ENTITY

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

Reporting Entity

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

Lorain Metropolitan Housing Authority

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

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

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

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

Blended Component Unit

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

All three Board members of the LCEHC are also members of the Board of Commissioners 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 Commissioners for actions, operations, and fiscal matters of HAPI, and the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within the Authority's reporting entity.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

Basis of Accounting

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

Reporting Entity

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

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts - Bad Debt Expenses

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

Fraud Recovery Receivable

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

Notes Receivable Current

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

Notes Receivable Non-Current

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

Investments

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

Cash - Restricted

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

Inventory

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

Land, Property, and Equipment

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

Compensated Absences

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

Vacation leave earned at the end of the fiscal year is accrued based on the employee hourly rate multiplied by the employee vacation hour balance. Vacation leave can not 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 Commissioners can also extend the carryover, upon written approval. Employees are not eligible to receive monetary compensation for vacation leave in lieu of time off. The Authority and LCEHC record a liability for all vacation leave earned.

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

Net Position

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

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

Use of Estimates

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

Budgetary Accounting

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority and its component unit (LCEHC) places deposits, pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 100 percent of the carrying value of the public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies. The carrying amount of the Authority's deposits was \$8,699,172 at June 30, 2013, which includes \$200 at June 30, 2013, of petty cash, and the bank balance was \$8,940,867 at June 30, 2013. The difference represents outstanding checks and other in-transit transactions of the bank balance. \$250,000 was covered by federal depository insurance and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

Investments

The Authority has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet the Authority's cash flow needs and return on investment are secondary goals of the policy. The Authority does not purchase any form of derivative. The carrying amount of the Authority's investments was \$2,000,000 at June 30, 2013, and the bank balance was the same. The investments are held in certificates of deposit greater than 3 months but less than 1 year maturity.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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

| | |
|--|----------------------|
| Unrestricted Cash and Cash Equivalents * | \$ 5,931,495 |
| Restricted Cash and Cash Equivalents | 2,767,677 |
| Unrestricted Investments | 2,000,000 |
| Total | <u>\$ 10,699,172</u> |
| Carrying Amounts of Deposits | \$ 8,699,172 |
| Carrying Amounts of Investments | 2,000,000 |
| Total | <u>\$ 10,699,172</u> |

* Includes Petty Cash

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 4: RESTRICTED CASH

The Authority had the following restricted cash:

| | |
|---|----------------------------|
| Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments | \$ 428,212 |
| Insurance Proceeds and Modernization Projects | 2,008,270 |
| Tenant Security Deposits | 204,882 |
| Family Self-Sufficiency Escrow Balance | 126,313 |
| Total Restricted Cash | <u><u>\$ 2,767,677</u></u> |

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

| | Balance July 1, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---|-------------------------|--------------------------|---------------------|--------------------------|
| <i>Capital Assets Not Being Depreciated</i> | | | | |
| Land | \$ 5,337,452 | \$ 16,948 | \$ 0 | \$ 5,354,400 |
| Construction in Progress | 498,510 | 573,213 | (498,510) | 573,213 |
| Total Capital Assets Not Being Depreciated | <u>5,835,962</u> | <u>590,161</u> | <u>(498,510)</u> | <u>5,927,613</u> |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Buildings | 82,263,802 [▼] | 3,288,326 | (2,242,273) | 83,309,855 |
| Office Equipment | 1,431,205 | 36,974 | (176,687) | 1,291,492 |
| Maintenance Equipment | 481,279 | 37,527 | (7,770) | 511,036 |
| Vehicles | 349,330 [▼] | 83,651 | (52,475) | 380,506 |
| Total Capital Assets Being Depreciated | <u>84,525,616</u> | <u>3,446,478</u> | <u>(2,479,205)</u> | <u>85,492,889</u> |
| <i>Less Accumulated Depreciation</i> | | | | |
| Buildings | (57,526,692) | (2,887,478) [▼] | 2,017,010 | (58,397,160) |
| Office Equipment | (755,547) | (152,805) [▼] | 176,687 | (731,665) |
| Maintenance Equipment | (323,427) | (39,581) | 7,770 | (355,238) |
| Vehicles | (313,462) | (44,143) | 51,092 | (306,513) |
| Total Accumulated Depreciation | <u>(58,919,128)</u> | <u>(3,124,007)</u> | <u>2,252,559</u> | <u>(59,790,576)</u> |
| Total Capital Assets Being Depreciated, Net | <u>25,606,488</u> | <u>322,471</u> | <u>(226,646)</u> | <u>25,702,313</u> |
| Capital Assets, Net | <u>\$ 31,442,450</u> | <u>\$ 912,632</u> | <u>\$ (725,156)</u> | <u>\$ 31,629,926</u> |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 6: DEBT AND LEASE OBLIGATIONS

Long-Term Debt

Mortgage Loan

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

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

| Fiscal Year | Principal Amount | Interest Amount | Total Amount | Interest Rate (%) |
|----------------|---------------------|--------------------|--------------------|----------------------|
| 2014 | \$ 216,793 | \$ 95,688 | \$ 312,481 | 5.75% |
| 2015 | 229,593 | 82,888 | 312,481 | 5.75% |
| 2016 | 243,148 | 69,333 | 312,481 | 5.75% |
| 2017 | 257,503 | 54,977 | 312,480 | 5.75% |
| 2018 | 272,706 | 42,369 | 315,075 | 5.75% |
| 2019-2020 | 542,722 | 30,421 | 573,143 | 5.75% |
| | <u>\$1,762,465</u> | <u>\$ 375,676</u> | <u>\$2,138,141</u> | |

A reconciliation of long-term liabilities is shown below:

| | Balance July 1, 2012 | Additions | Retired | Balance June 30, 2013 | Due Within One Year |
|----------------------|-------------------------|-------------------|-------------------|--------------------------|------------------------|
| Mortgage Loan | \$ 1,965,708 | \$ 0 | \$ 203,243 | \$ 1,762,465 | \$ 216,793 |
| Compensated Absences | 624,731 | 354,141 | 323,390 | 655,482 | 348,724 |
| Total 2013 | <u>\$ 2,590,439</u> | <u>\$ 354,141</u> | <u>\$ 526,633</u> | <u>\$ 2,417,947</u> | <u>\$ 565,517</u> |

Short Term Debt

The Authority has not engaged in short-term borrowing as characterized by GASB Statement No. 38 and, therefore, has no short-term debt obligations for the fiscal year ended June 30, 2013.

Lease Obligations

The Authority did not lease office equipment in the fiscal year ended June 30, 2013.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 7: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, or by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

For the period ended June 30, 2013, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Authority's contribution rate for pension benefits was 14.00 percent of covered payroll for 2012 and 2013. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the plans for the fiscal years ended June 30, 2013, 2012, and 2011 were \$651,814, \$701,385, and \$668,242, respectively; 93 percent has been contributed for 2013 and 100 percent has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for the fiscal years ended June 30, 2013, 2012, and 2011, were \$4,897, \$5,096, and \$4,475, respectfully.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

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

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

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

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

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 4.0 percent for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Information from Employer's Records

Actual Authority contributions for the year ended June 30, 2013, which were used to fund post-employment benefits were \$46,558.

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

NOTE 9: INSURANCE COVERAGE

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

| | <u>Deductible</u> | <u>Coverage Limits</u> |
|---|-------------------|------------------------|
| Property | \$ 5,000 | \$ 143,496,178 |
| General Liability | 0 | 1,000,000/2,000,000 |
| Vehicle | 250/500 | ACV/1,000,000 |
| Directors, Officers, and Trustees Liability | 10,000 | 1,000,000/1,000,000 |
| Blanket Position Bond | 5,000 | 250,000 |
| 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. In addition, funds in the Public Housing Program have been earmarked for future development. The corresponding funds are reflected in the restricted cash accounts.

| | |
|--|---------------------|
| Public Housing Funds | \$ 1,694,590 |
| Restricted Housing Choice Voucher Housing Assistance | |
| Housing Choice voucher Only HAP Checking | 22,692 |
| Money Market Accounts (HAP Portion) | 405,520 |
| Total | <u>\$ 2,122,802</u> |

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.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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, 2013.

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 GASB STATEMENT IMPLEMENTATION

For 2013, the Authority implemented GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reporting as Assets and Liabilities*.

The objective of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the implementation of this statement did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements Nos. 14 and No. 34*, is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012 and have been implemented by the Authority.

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 13: **GASB STATEMENT IMPLEMENTATION** (Continued)

The objective of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the implementation of this statement did not result in any change in the Authority's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the Authority; however, there was no effect on beginning net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Authority; however, there was no effect on the financial statements of the Authority.

NOTE 14: **CAPITAL CONTRIBUTIONS**

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

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 15: BLENDED COMPONENT UNITS

As of June 30, 2013, the condensed Statement of Net Position for the blended component unit is as follows:

| | |
|----------------------------------|----------------------------|
| <u>Assets</u> | |
| Current Assets | \$ 1,677,786 |
| Noncurrent Assets | |
| Non-depreciable capital assets | 3,399,772 |
| Total Assets | <u>5,077,558</u> |
| <u>Liabilities</u> | |
| Current Liabilities | \$ 350,915 |
| Noncurrent Liabilities | 1,547,465 |
| Total Liabilities | <u>1,898,380</u> |
| <u>Net Position</u> | |
| Net Investment in Capital Assets | 1,637,307 |
| Unrestricted | 1,541,871 |
| Total Net Position | <u>\$ 3,179,178</u> |

As of June 30, 2013, the condensed Statement of Activities for the blended component unit is as follows:

| | |
|--|----------------------------|
| Operating Revenue | |
| Total Tenant Revenue | \$ 591,306 |
| HUD PHA Operating Grants | 856,326 |
| Other Revenue | 21,175 |
| Total Operating Revenue | <u>1,468,807</u> |
| Operating Expenses | |
| Depreciation | 330,575 |
| Other Operating Expenses | 1,055,155 |
| Total Operating Expenses | <u>1,385,730</u> |
| Operating Income | <u>83,077</u> |
| Nonoperating Revenue(Expense) | |
| Investment Income-Unrestricted | 2,107 |
| Interest Expense | (108,395) |
| Total Nonoperating Revenue(Expense) | <u>(106,288)</u> |
| Capital Contributions | <u>618,228</u> |
| Changes in Net Position | 595,017 |
| Beginning Net Position | 2,584,161 |
| Ending Net Position | <u>\$ 3,179,178</u> |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)**

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

As of June 30, 2013, the condensed Statement of Cash Flows for the blended component unit is as follows:

| | |
|--|----------------------------|
| Net Cash Provided by Operating Activities | \$ 931,268 |
| Net Cash Used in Investing Activities | (397,992) |
| Net Cash Used in Financing Activities | <u>(172,197)</u> |
| Net Increase in Cash and Cash Equivalents | 361,079 |
| | |
| Beginning Cash and Cash Equivalents | <u>1,026,609</u> |
| | |
| Ending Cash and Cash Equivalents | <u>\$ 1,387,688</u> |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| Federal Grantor/ Program Title | CFDA Number | Federal Expenditures |
|--|------------------------|---------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | |
| <u>Direct Programs</u> | | |
| Low Income Housing Assistance Programs: | | |
| Section 8 Housing Choice Voucher | 14.871 | <u>\$ 18,859,821</u> |
| Public Housing - Operating Subsidy | 14.850 | <u>5,292,891</u> |
| Public Housing Capital Fund Program | 14.872 | <u>3,694,586</u> |
| Shelter Plus Care | 14.238 | <u>350,726</u> |
| Resident Opportunity and Supportive Services Grant | 14.870 | <u>87,887</u> |
| Total U.S. Department of Housing and Urban Development | | <u><u>28,285,911</u></u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u><u>\$ 28,285,911</u></u> |

See notes to the Schedule of Expenditures of Federal Awards.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1: PRESENTATION

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

NOTE 2: COMPONENT UNIT

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

| <u>Federal Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|--|-------------------------------|--|
| <i>U.S. Department of Housing and Urban Development Section 8 New Construction</i> | 14.182 | <u>\$ 856,326</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2013

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | Component Units | Business Activities | COCC | Subtotal | ELIM | Total |
|--|-------------------|--|---|-----------------------------|--------------------|------------------------|------------------|-------------------|----------------|-------------------|
| 111 Cash - Unrestricted | 3,151,563 | | 199,342 | | 1,337,680 | 239,165 | 1,037,787 | 5,965,537 | -34,042 | 5,931,495 |
| 113 Cash - Other Restricted | 1,741,916 | | 507,199 | | | | | 2,249,115 | | 2,249,115 |
| 114 Cash - Tenant Security Deposits | 150,743 | | | | 50,008 | 4,131 | | 204,882 | | 204,882 |
| 115 Cash - Restricted for Payment of Current Liabilities | 313,680 | | | | | | | 313,680 | | 313,680 |
| 100 Total Cash | 5,357,902 | - | 706,541 | - | 1,387,688 | 243,296 | 1,037,787 | 8,733,214 | -34,042 | 8,699,172 |
| 122 Accounts Receivable - HUD Other Projects | 28,197 | 19,113 | | 4,442 | | | - | 51,752 | | 51,752 |
| 125 Accounts Receivable - Miscellaneous | | | 2,606 | | | 9,587 | 20,422 | 32,615 | | 32,615 |
| 126 Accounts Receivable - Tenants | 15,958 | | | | 3,476 | | | 19,434 | | 19,434 |
| 126.1 Allowance for Doubtful Accounts -Tenants | -1,422 | | | | -65 | | | -1,487 | | -1,487 |
| 127 Notes, Loans, & Mortgages Receivable - Current | 19,199 | | | | 471 | | | 19,670 | | 19,670 |
| 128 Fraud Recovery | 18,123 | | 92,545 | | 398 | | | 111,066 | | 111,066 |
| 128.1 Allowance for Doubtful Accounts - Fraud | -1,928 | | -26,838 | | -7 | | | -28,773 | | -28,773 |
| 129 Accrued Interest Receivable | 1,666 | | 333 | | 333 | | 333 | 2,665 | | 2,665 |
| 120 Total Receivables, Net of Allowances for Doubtful | 79,793 | 19,113 | 68,646 | 4,442 | 4,606 | 9,587 | 20,755 | 206,942 | - | 206,942 |
| 131 Investments - Unrestricted | 1,250,000 | | 250,000 | | 250,000 | | 250,000 | 2,000,000 | | 2,000,000 |
| 142 Prepaid Expenses and Other Assets | 50,710 | | 4,715 | | 23,971 | 313 | 7,613 | 87,322 | | 87,322 |
| 143 Inventories | 73,677 | | | | 12,152 | | 67,332 | 153,161 | | 153,161 |
| 143.1 Allowance for Obsolete Inventories | -3,756 | | | | -631 | | -3,495 | -7,882 | | -7,882 |
| 150 Total Current Assets | 6,808,326 | 19,113 | 1,029,902 | 4,442 | 1,677,786 | 253,196 | 1,379,992 | 11,172,757 | -34,042 | 11,138,715 |
| 161 Land | 4,533,358 | | 69,400 | | 333,878 | 417,764 | | 5,354,400 | | 5,354,400 |
| 162 Buildings | 71,829,933 | | 1,010,838 | | 8,530,853 | 636,109 | 1,302,122 | 83,309,855 | | 83,309,855 |
| 163 Furniture, Equipment & Machinery - Dwellings | 471,169 | | | | 219,481 | | 200,892 | 891,542 | | 891,542 |
| 164 Furniture, Equipment & Machinery - Administration | 117,554 | 2,747 | 495,311 | | 52,799 | 27,286 | 595,795 | 1,291,492 | | 1,291,492 |
| 166 Accumulated Depreciation | -51,618,617 | -1,256 | -662,641 | | -5,738,839 | -191,229 | -1,577,994 | -59,790,576 | | -59,790,576 |
| 167 Construction in Progress | 571,613 | | | | 1,600 | | | 573,213 | | 573,213 |
| 160 Total Capital Assets, Net of Accumulated | 25,905,010 | 1,491 | 912,908 | - | 3,399,772 | 889,930 | 520,815 | 31,629,926 | - | 31,629,926 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | 1,245,958 | | | | | | | 1,245,958 | | 1,245,958 |
| 180 Total Non-Current Assets | 27,150,968 | 1,491 | 912,908 | - | 3,399,772 | 889,930 | 520,815 | 32,875,884 | - | 32,875,884 |
| 190 Total Assets | 33,959,294 | 20,604 | 1,942,810 | 4,442 | 5,077,558 | 1,143,126 | 1,900,807 | 44,048,641 | -34,042 | 44,014,599 |

LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2013

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | Component Units | Business Activities | COCC | Subtotal | ELIM | Total |
|--|-------------------|--|---|-----------------------------|--------------------|------------------------|------------------|-------------------|----------------|-------------------|
| 312 Accounts Payable <= 90 Days | 806 | | | | 499 | | | 1,305 | | 1,305 |
| 321 Accrued Wage/Payroll Taxes Payable | 110,823 | 3,923 | 43,067 | | 13,467 | 18,842 | 68,702 | 258,824 | | 258,824 |
| 322 Accrued Compensated Absences - Current Portion | 138,962 | 1,427 | 61,240 | | 11,787 | | 135,308 | 348,724 | | 348,724 |
| 325 Accrued Interest Payable | | | | | 7,319 | | | 7,319 | | 7,319 |
| 333 Accounts Payable - Other Government | 15,287 | | | | 29,195 | | | 44,482 | | 44,482 |
| 341 Tenant Security Deposits | 139,256 | | | | 48,818 | 2,520 | | 190,594 | | 190,594 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | | | | | 216,793 | | | 216,793 | | 216,793 |
| 345 Other Current Liabilities | | | | | 100 | | | 100 | | 100 |
| 346 Accrued Liabilities - Other | 466,742 | 857 | 15,410 | 195 | 22,937 | 893 | 13,911 | 520,945 | | 520,945 |
| 347 Inter Program - Due To | 19,130 | 10,665 | | 4,247 | - | | | 34,042 | -34,042 | - |
| 310 Total Current Liabilities | 891,006 | 16,872 | 119,717 | 4,442 | 350,915 | 22,255 | 217,921 | 1,623,128 | -34,042 | 1,589,086 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | 1,545,672 | | | 1,545,672 | | 1,545,672 |
| 353 Non-current Liabilities - Other | 48,384 | | 70,965 | | | | | 119,349 | | 119,349 |
| 354 Accrued Compensated Absences - Non Current | 91,362 | 2,241 | 82,240 | | 1,793 | | 129,122 | 306,758 | | 306,758 |
| 350 Total Non-Current Liabilities | 139,746 | 2,241 | 153,205 | - | 1,547,465 | - | 129,122 | 1,971,779 | - | 1,971,779 |
| 300 Total Liabilities | 1,030,752 | 19,113 | 272,922 | 4,442 | 1,898,380 | 22,255 | 347,043 | 3,594,907 | -34,042 | 3,560,865 |
| 508.1 Invested In Capital Assets, Net of Related Debt | 25,905,010 | 1,491 | 912,908 | | 1,637,307 | 889,930 | 520,815 | 29,867,461 | | 29,867,461 |
| 511.1 Restricted Net Assets | 1,694,590 | | 428,212 | | | | | 2,122,802 | | 2,122,802 |
| 512.1 Unrestricted Net Assets | 5,328,942 | - | 328,768 | - | 1,541,871 | 230,941 | 1,032,949 | 8,463,471 | | 8,463,471 |
| 513 Total Equity/Net Assets | 32,928,542 | 1,491 | 1,669,888 | - | 3,179,178 | 1,120,871 | 1,553,764 | 40,453,734 | - | 40,453,734 |
| 600 Total Liabilities and Equity/Net Assets | 33,959,294 | 20,604 | 1,942,810 | 4,442 | 5,077,558 | 1,143,126 | 1,900,807 | 44,048,641 | -34,042 | 44,014,599 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2013**

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | Component Units | Business Activities | COCC | Subtotal | ELIM | Total |
|---|-------------------|--|---|--------------------------------|--------------------|------------------------|------------------|-------------------|-------------------|-------------------|
| 70300 Net Tenant Rental Revenue | 1,748,308 | | | | 570,760 | 26,293 | | 2,345,361 | | 2,345,361 |
| 70400 Tenant Revenue - Other | 205,650 | | | | 20,546 | | | 226,196 | | 226,196 |
| 70500 Total Tenant Revenue | 1,953,958 | - | - | - | 591,306 | 26,293 | - | 2,571,557 | - | 2,571,557 |
| 70600 HUD PHA Operating Grants | 5,562,605 | 87,887 | 18,859,821 | 350,726 | 856,326 | | | 25,717,365 | | 25,717,365 |
| 70610 Capital Grants | 3,424,872 | | | | | | | 3,424,872 | | 3,424,872 |
| 70710 Management Fee | | | | | | | 1,576,803 | 1,576,803 | -1,570,954 | 5,849 |
| 70720 Asset Management Fee | | | | | | | 170,330 | 170,330 | -170,330 | - |
| 70730 Book Keeping Fee | | | | | | | 397,569 | 397,569 | -396,713 | 856 |
| 70740 Front Line Service Fee | | | | | | | 109,655 | 109,655 | -109,655 | - |
| 70700 Total Fee Revenue | - | - | - | - | - | - | 2,254,357 | 2,254,357 | -2,247,652 | 6,705 |
| 70800 Other Government Grants | | | | | | 6,716 | | 6,716 | | 6,716 |
| 71100 Investment Income - Unrestricted | 10,370 | | 1,100 | | 2,107 | 334 | 1,217 | 15,128 | | 15,128 |
| 71200 Mortgage Interest Income | 2,179 | | | | | | | 2,179 | | 2,179 |
| 71400 Fraud Recovery | 44,884 | | 171,385 | | 800 | | | 217,069 | | 217,069 |
| 71500 Other Revenue | 1,101,337 | | 2,751 | | 638,603 | 25,200 | 375,450 | 2,143,341 | -26,688 | 2,116,653 |
| 71600 Gain or Loss on Sale of Capital Assets | -226,648 | | | | | | 11,291 | -215,357 | | -215,357 |
| 72000 Investment Income - Restricted | | | 776 | | | | | 776 | | 776 |
| 70000 Total Revenue | 11,873,557 | 87,887 | 19,035,833 | 350,726 | 2,089,142 | 58,543 | 2,642,315 | 36,138,003 | -2,274,340 | 33,863,663 |
| 91100 Administrative Salaries | 979,749 | | 803,775 | | 179,967 | | 1,184,157 | 3,147,648 | | 3,147,648 |
| 91200 Auditing Fees | 12,400 | | 12,400 | | 6,200 | | 451 | 31,451 | | 31,451 |
| 91300 Management Fee | 1,024,039 | | 439,824 | 41,109 | 102,359 | | | 1,607,331 | -1,573,639 | 33,692 |
| 91310 Book-keeping Fee | 121,734 | | 274,890 | | 90 | | | 396,714 | -396,714 | - |
| 91400 Advertising and Marketing | 837 | | | | 11,746 | | 21,536 | 34,119 | | 34,119 |
| 91500 Employee Benefit contributions - Administrative | 404,648 | | 383,114 | | 68,130 | | 418,798 | 1,274,690 | | 1,274,690 |
| 91600 Office Expenses | 282,791 | | 131,408 | | 38,359 | 8,200 | 162,452 | 623,210 | -1,723 | 621,487 |
| 91700 Legal Expense | 51,974 | | 23,480 | | 6,796 | | -4,532 | 77,718 | | 77,718 |
| 91800 Travel | 1,744 | | 293 | | 526 | | 2,556 | 5,119 | | 5,119 |
| 91900 Other | 28,819 | 7,646 | 8,966 | | 10,718 | 284 | 31,513 | 87,946 | -24,000 | 63,946 |
| 91000 Total Operating - Administrative | 2,908,735 | 7,646 | 2,078,150 | 41,109 | 424,891 | 8,484 | 1,816,931 | 7,285,946 | -1,996,076 | 5,289,870 |
| 92000 Asset Management Fee | 170,210 | | | | 120 | | | 170,330 | -170,330 | - |
| 92100 Tenant Services - Salaries | 56,709 | 58,110 | 54,000 | | 8,181 | | | 177,000 | | 177,000 |
| 92200 Relocation Costs | | | | | 1,861 | | | 1,861 | | 1,861 |
| 92300 Employee Benefit Contributions - Tenant Services | 23,956 | 25,554 | 14,989 | | 3,332 | | | 67,831 | | 67,831 |
| 92400 Tenant Services - Other | 46,972 | | | | 841 | | 377 | 48,190 | | 48,190 |
| 92500 Total Tenant Services | 127,637 | 83,664 | 68,989 | - | 14,215 | - | 377 | 294,882 | - | 294,882 |
| 93100 Water | 280,512 | | 614 | | 29,075 | 1,269 | 338 | 311,808 | | 311,808 |
| 93200 Electricity | 383,251 | | 20,406 | | 179,969 | 4,162 | 11,252 | 599,040 | | 599,040 |
| 93300 Gas | 226,915 | | 9,084 | | 662 | 6,328 | 5,006 | 247,995 | | 247,995 |
| 93600 Sewer | 479,435 | | 834 | | 54,979 | 1,854 | 459 | 537,561 | | 537,561 |
| 93000 Total Utilities | 1,370,113 | - | 30,938 | - | 264,685 | 13,613 | 17,055 | 1,696,404 | - | 1,696,404 |
| 94100 Ordinary Maintenance and Operations - Labor | 1,034,656 | | | | 58,957 | 1,389 | 120,638 | 1,215,640 | | 1,215,640 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 281,989 | | 4,030 | | 42,852 | 985 | 46,553 | 376,409 | | 376,409 |
| 94300 Ordinary Maintenance and Operations Contracts | 980,075 | | 993 | | 120,450 | 9,898 | 54,143 | 1,165,559 | -107,934 | 1,057,625 |
| 94500 Employee Benefit Contributions - Ordinary | 441,011 | | | | 27,821 | 604 | 50,370 | 519,806 | | 519,806 |
| 94000 Total Maintenance | 2,737,731 | - | 5,023 | - | 250,080 | 12,876 | 271,704 | 3,277,414 | -107,934 | 3,169,480 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2013**

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 14.238 Shelter Plus Care | Component Units | Business Activities | COCC | Subtotal | ELIM | Total |
|---|-------------------|--|---|--------------------------------|--------------------|------------------------|------------------|-------------------|-------------------|-------------------|
| 95100 Protective Services - Labor | 42,383 | | | | 6,119 | | 2,638 | 51,140 | | 51,140 |
| 95200 Protective Services - Other Contract Costs | 302,064 | | | | 12,668 | | | 314,732 | | 314,732 |
| 95500 Employee Benefit Contributions - Protective Services | 12,093 | | | | 1,613 | | 730 | 14,436 | | 14,436 |
| 95000 Total Protective Services | 356,540 | - | - | - | 20,400 | - | 3,368 | 380,308 | - | 380,308 |
| 96110 Property Insurance | 176,419 | | 2,421 | | 10,449 | 1,314 | 598 | 191,201 | | 191,201 |
| 96120 Liability Insurance | 39,745 | | 9,184 | | 7,960 | 595 | 609 | 58,093 | | 58,093 |
| 96130 Workmen's Compensation | 37,740 | | 15,908 | | 4,986 | | 23,876 | 82,510 | | 82,510 |
| 96140 All Other Insurance | 31,312 | | 3,604 | | 4,805 | | 18,977 | 58,698 | | 58,698 |
| 96100 Total insurance Premiums | 285,216 | - | 31,117 | - | 28,200 | 1,909 | 44,060 | 390,502 | - | 390,502 |
| 96200 Other General Expenses | 129,266 | | 45,743 | 1 | 262 | -3 | 22,893 | 198,162 | | 198,162 |
| 96210 Compensated Absences | 30,688 | -3,423 | 7,765 | | -12,294 | | -17,859 | 4,877 | | 4,877 |
| 96300 Payments in Lieu of Taxes | 15,287 | | | | 29,195 | | | 44,482 | | 44,482 |
| 96400 Bad debt - Tenant Rents | 153,020 | | 36,268 | | 19,413 | | | 208,701 | | 208,701 |
| 96000 Total Other General Expenses | 328,261 | -3,423 | 89,776 | 1 | 36,576 | -3 | 5,034 | 456,222 | - | 456,222 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | | 108,395 | | | 108,395 | | 108,395 |
| 96700 Total Interest Expense and Amortization Cost | - | - | - | - | 108,395 | - | - | 108,395 | - | 108,395 |
| 96900 Total Operating Expenses | 8,284,443 | 87,887 | 2,303,993 | 41,110 | 1,147,562 | 36,879 | 2,158,529 | 14,060,403 | -2,274,340 | 11,786,063 |
| 97000 Excess of Operating Revenue over Operating Expenses | 3,589,114 | - | 16,731,840 | 309,616 | 941,580 | 21,664 | 483,786 | 22,077,600 | - | 22,077,600 |
| 97100 Extraordinary Maintenance | 277,936 | | | | 7,393 | | 1,229 | 286,558 | | 286,558 |
| 97200 Casualty Losses - Non-capitalized | 70,085 | | | | 8,595 | | | 78,680 | | 78,680 |
| 97300 Housing Assistance Payments | | | 18,376,963 | 309,616 | | 6,227 | | 18,692,806 | | 18,692,806 |
| 97400 Depreciation Expense | 2,542,135 | 916 | 123,108 | | 330,575 | 33,085 | 94,188 | 3,124,007 | | 3,124,007 |
| 90000 Total Expenses | 11,174,599 | 88,803 | 20,804,064 | 350,726 | 1,494,125 | 76,191 | 2,253,946 | 36,242,454 | -2,274,340 | 33,968,114 |
| 10091 Inter Project Excess Cash Transfer In | 1,195,630 | | | | | | | 1,195,630 | -1,195,630 | - |
| 10092 Inter Project Excess Cash Transfer Out | -1,195,630 | | | | | | | -1,195,630 | 1,195,630 | - |
| 10100 Total Other financing Sources (Uses) | - | - | - | - | - | - | - | - | - | - |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | 698,958 | -916 | -1,768,231 | - | 595,017 | -17,648 | 388,369 | -104,451 | - | -104,451 |
| 11020 Required Annual Debt Principal Payments | - | - | - | - | 203,242 | - | - | 203,242 | | 203,242 |
| 11030 Beginning Equity | 32,229,584 | 2,407 | 3,438,119 | - | 2,584,161 | 1,138,519 | 1,165,395 | 40,558,185 | | 40,558,185 |
| 11170 Administrative Fee Equity | | | 1,241,676 | | | | | 1,241,676 | | 1,241,676 |
| 11180 Housing Assistance Payments Equity | | | 428,212 | | | | | 428,212 | | 428,212 |
| 11190 Unit Months Available | 16,709 | | 35,676 | 780 | 2,412 | 84 | | 55,661 | | 55,661 |
| 11210 Number of Unit Months Leased | 16,098 | | 36,595 | 771 | 2,324 | 44 | | 55,832 | | 55,832 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF MODERNIZATION COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2013**

| <u>Description</u> | <u>Note A</u> | <u>Note B</u> | <u>Note C</u> | <u>Note C</u> |
|---|--------------------------------|-------------------|---------------------------|---------------------------|
| | OH16C70-7059 | | | |
| | OH0199C5E071003 | OH12RFS171A010 | OH12P01250109 | OH12P0120110 |
| | <u>Shelter Plus Care Grant</u> | <u>ROSS Grant</u> | <u>Capital Fund Grant</u> | <u>Capital Fund Grant</u> |
| Funds Approved - Latest Budget | \$ 509,280 | \$ 64,782 | \$ 2,687,557 | \$ 2,662,373 |
| Funds Advanced | 324,469 | 64,782 | 2,687,557 | 2,662,373 |
| Funds Expended | 324,469 | 64,782 | 2,687,557 | 2,662,373 |
| Difference Between Funds Advanced and Funds Expended | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Note A: This Shelter Plus Care grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2013. \$184,811 was not advanced or expended.

Note B: This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2013.

Note C: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2013. All funds were advanced and expended.

Note D: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2013. All funds were advanced and expended.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2013**

The Lorain Metropolitan Housing Authority had a total of 4,689 units under its management. See details below:

| <u>Management</u> | <u>Units Available</u> | <u>Average Number of Units Leased in Fiscal Year</u> |
|---|----------------------------|--|
| Lorain Metropolitan Housing Authority | | |
| Low Income Public Housing | 1,443 | 1,353 |
| Section 8 Vouchers | 2,973 | 3,050 |
| Shelter Plus Care | 65 | 61 |
| General Fund (not HUD funded) | 7 | 4 |
| Total Lorain Metropolitan Housing Authority | <u>4,488</u> | <u>4,468</u> |
| Lorain County Elderly Housing Corporation | | |
| Section 8 New Construction | <u>201</u> | <u>194</u> |
| Total LMHA and LCEHC | <u><u>4,689</u></u> | <u><u>4,662</u></u> |

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

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lorain Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lorain Metropolitan Housing Authority, Ohio's basic financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

December 3, 2013

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Lorain Metropolitan Housing Authority
Lorain, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Lorain Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Lorain Metropolitan Housing Authority, Ohio's major federal program for the fiscal year ended June 30, 2013. Lorain Metropolitan Housing Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Lorain Metropolitan Housing Authority, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lorain Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Lorain Metropolitan Housing Authority, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lorain Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Lorain Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lorain Metropolitan Housing Authority Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lorain Metropolitan Housing Authority, Ohio's internal control over compliance.

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

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

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



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

December 3, 2013

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|------------|--|---|
| 2013(i) | Type of Financial Statement Opinion | Unmodified |
| 2013(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| 2013(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| 2013(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2013(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| 2013(iv) | Were there any significant deficiencies in internal control reported for major federal programs | No |
| 2013(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| 2013(vi) | Are there any reportable findings under §.510(a)? | No |
| 2013(vii) | Major Programs (list): Section 8 Housing Choice Voucher Program - CFDA #14.871 | |
| 2013(viii) | Dollar Threshold: Type A\B Programs | Type A: \$848,577 Type B: All Others |
| 2013(ix) | Low Risk Auditee? | Yes |

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2012.

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**LORAIN COUNTY ELDERLY
HOUSING CORPORATION**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

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

LORAIN COUNTY ELDERLY HOUSING CORPORATION
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Board of Trustees
Lorain County Elderly Housing Corporation
Lorain, Ohio

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Lorain County Elderly Housing Corporation. (a non-profit organization), a component unit of the Lorain Metropolitan Housing Authority, Lorain County, Ohio, which comprise the statements of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Elderly Housing Corporation. as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the Lorain County Elderly Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lorain County Elderly Housing Corporation's internal control over financial reporting and compliance.



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

December 3, 2013

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ASSETS

Current Assets

| | |
|---|-------------------------|
| Cash and Cash Equivalents | \$ 1,337,680 |
| Cash Restricted for Tenant Security Deposits | 50,008 |
| Unrestricted Investments | 250,000 |
| Accounts Receivable - Tenants, Net of Allowance of \$65 | 3,411 |
| Notes Receivable - Tenants | 471 |
| Fraud Receivable - Tenants, Net of Allowance of \$7 | 391 |
| Accrued Interest Receivable | 333 |
| Prepaid Insurance | 23,971 |
| Inventory | 11,521 |
| Total Current Assets | <u>1,677,786</u> |

Noncurrent Assets

| | |
|---------------------------------|-------------------------|
| Land, Structures, and Equipment | 9,138,611 |
| Less: Accumulated Depreciation | <u>(5,738,839)</u> |
| Total Noncurrent Assets | <u>3,399,772</u> |

TOTAL ASSETS **\$ 5,077,538**

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|--|-----------------------|
| Accounts Payable | \$ 499 |
| Accrued Wages and Fringe Benefits | 13,467 |
| Accrued Compensated Absences | 11,787 |
| Accrued Interest | 7,319 |
| Other Current Liabilities | 23,037 |
| Payment in Lieu of Taxes (PILOT) | 29,195 |
| Tenant Security Deposit Payable | 48,818 |
| Bonds/Mortgage Payable - Current Portion | 216,793 |
| Total Current Liabilities | <u>350,915</u> |

Noncurrent Liabilities

| | |
|---|-------------------------|
| Long-term Compensated Absences | 1,793 |
| Long-term Bonds Payable, Less Current Portion | <u>1,545,672</u> |
| Total Noncurrent Liabilities | <u>1,547,465</u> |

TOTAL LIABILITIES **1,898,380**

Net Assets

| | |
|-------------------------|-------------------------|
| Unrestricted | <u>3,179,178</u> |
| Total Net Assets | <u>3,179,178</u> |

TOTAL LIABILITIES AND NET ASSETS **\$ 5,077,558**

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | |
|---|-------------------|
| <u>Revenue</u> | |
| Net Tenant Rental Revenue | \$ 570,760 |
| Tenant Revenue - Other | 20,546 |
| Total Tenant Revenue | 591,306 |
| | |
| HUD PHA Operating Grants | 856,326 |
| Fraud Recovery | 800 |
| Other Revenue | 20,375 |
| Total Revenue | 1,468,807 |
| | |
| <u>Operating Expenses</u> | |
| Administrative | 424,891 |
| Tenant Services | 14,335 |
| Utilities | 264,685 |
| Ordinary Maintenance and Operation | 250,080 |
| Protective Services | 20,400 |
| Insurance Premiums | 28,200 |
| Payment in Lieu of Taxes (PILOT) | 29,195 |
| Bad Debt (Recovery) - Tenant Rents | 19,413 |
| Other General Expenses | 3,956 |
| Depreciation Expense | 330,575 |
| Total Operating Expenses | 1,385,730 |
| Net Operating Income | 83,077 |
| | |
| <u>Other Revenues (Expenses)</u> | |
| Investment Income - Unrestricted | 2,107 |
| Interest Expense | (108,395) |
| Total Other Revenues (Expenses) | (106,288) |
| | |
| Capital Contributions | 618,228 |
| | |
| Change in Net Assets | \$ 595,017 |

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | |
|--|---------------------|
| <u>Cash Flows from Operating Activities</u> | |
| Tenant Revenue Received | \$ 589,241 |
| Government Operating Grants Received | 856,326 |
| Other Revenue Received | 27,322 |
| General, Administrative, and Maintenance Expenses Paid | <u>(1,052,701)</u> |
| Net Cash Provided by Operating Activities | <u>420,188</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Interest Income | 2,091 |
| Purchase of Investments | (250,000) |
| Proceeds from Sale of Investments | <u>500,000</u> |
| Net Cash Used in Investing Activities | <u>252,091</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Increase in Due To/Due From Related Entity | 31,046 |
| Purchases of Land, Structures, and Equipment | (647,992) |
| Payments to Retire Long-term Debt | (312,482) |
| Capital Contributions | <u>618,228</u> |
| Net Cash Used in Financing Activities | <u>(311,200)</u> |
| Increase in Cash and Cash Equivalents | 361,079 |
| Cash and Cash Equivalents - Beginning of Year | <u>1,026,609</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,387,688</u> |
| <u>Reconciliation of Operating Income to</u> | |
| <u>Net Cash Provided by Operating Activities</u> | |
| Net Operating Income | \$ 83,077 |
| Add Back Non-Cash Items: | |
| Depreciation Expense | 330,575 |
| Decrease (Increase) in Assets: | |
| Accounts Receivable | 1,290 |
| Prepaid Expenses | (3,251) |
| Inventory | 4,752 |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 499 |
| Accrued Liabilities | (12,838) |
| Other Liabilities | <u>16,084</u> |
| Net Cash Provided by Operating Activities | <u>\$ 420,188</u> |

See notes to the financial statements.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| | |
|--------------------------|----------------------------|
| Beginning Net Assets | \$ 2,584,161 |
| Change in Net Assets | <u>595,017</u> |
| Ending Net Assets | <u>\$ 3,179,178</u> |

See notes to the financial statements.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

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

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

Sources of Funding

The Corporation is considered a component unit of the Authority for reporting purposes. The Corporation receives tenant rents from its two fully owned buildings (HARR Plaza and International Plaza) and four houses (Albany Avenue). The Corporation earns and receives Housing Assistance Payments (HAP) subsidy from the U.S. Department of Housing and Urban Development (HUD) for the Harr and International Plaza properties.

Basis of Accounting and Presentation

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

The Harr and International Plaza projects are subsidized by the U.S. Department of Housing and Urban Development under Housing Assistance Payments (HAP) contracts for a maximum of 40 years.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

Structures and Equipment, Accumulated Depreciation, and Depreciation Expense

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

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

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

Accounts Receivable and Credit Policy

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

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

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with HUD and other governmental organizations having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at June 30, 2013, will be immaterial and no allowance for doubtful accounts is required.

Based on management's assessment of the credit history with tenants having outstanding balances and current relationships with them, it has established an allowance for doubtful accounts of \$65 at June 30, 2013.

Management individually reviews all outstanding accounts receivable balances. Accounts are written off when deemed uncollectible. Bad debt expense for the fiscal years ended June 30, 2013, was \$19,413.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

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

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 receivable have been recognized and an allowance account has been established for uncollectible amounts.

Notes Receivable

Notes receivable 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.

Investments

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

Income Tax Status

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

Cash and Cash Equivalents

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

Due to/Due from Related Entity

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

Use of Estimates

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

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

Deposits

The carrying amounts of the Corporation's cash deposits was \$1,387,688 at June 30, 2013, with a \$1,396,261 bank balance. Of the bank balance, \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) at June 30, 2013. The remaining balance as of June 30, 2013 of \$1,137,688 was uninsured. The uninsured deposits were, however, collateralized with investments in the Corporation's name held by the financial institution as permitted under Ohio Revised Code Section 135.

Investments

The Corporation's investments are detailed below and consist of certificates of deposit. The investments are recorded at the current market value.

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

| | |
|-------------------------|---------------------|
| Demand Deposits | \$ 1,387,688 |
| Certificates of Deposit | <u>250,000</u> |
| | <u>\$ 1,637,688</u> |

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

| | |
|--|----------------------------|
| <u>Current Assets</u> | |
| Cash and Cash Equivalents | \$ 1,337,680 |
| Cash Restricted for Tenant Security Deposits | 50,008 |
| Unrestricted Investments | <u>250,000</u> |
| Total Current Assets | <u>\$ 1,637,688</u> |

NOTE 3: LAND, STRUCTURES, AND EQUIPMENT

| | <u>June 30, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2013</u> |
|---------------------------------|----------------------------|--------------------------|--------------------|----------------------------|
| Land | \$ 316,930 | \$ 16,948 | \$ 0 | \$ 333,878 |
| Buildings | 7,929,572 | 601,281 | 0 | 8,530,853 |
| Office Equipment | 41,077 | 11,722 | 0 | 52,799 |
| Dwellings/Maintenance Equipment | 190,076 | 16,441 | 0 | 206,517 |
| Vehicles | 12,964 | 0 | 0 | 12,964 |
| Construction in Progress | <u>0</u> | <u>1,600</u> | <u>0</u> | <u>1,600</u> |
| Total | 8,490,619 | 647,992 | 0 | 9,138,611 |
| Less: Accumulated Depreciation | <u>(5,408,264)</u> | <u>(330,575)</u> | <u>0</u> | <u>(5,738,839)</u> |
| Total | <u>\$ 3,082,355</u> | <u>\$ 317,417</u> | <u>\$ 0</u> | <u>\$ 3,399,772</u> |

NOTE 4: 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 the outstanding bonds (stated rate of 6.375 percent). The loan is payable in monthly installments of \$26,040, including interest at 5.75 percent.

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

| <u>Fiscal</u> <u>Year</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Amount</u> | <u>Total</u> <u>Amount</u> | <u>Interest</u> <u>Rate (%)</u> |
|------------------------------|-----------------------------------|----------------------------------|-------------------------------|------------------------------------|
| 2014 | \$ 216,793 | \$ 95,688 | \$ 312,481 | 5.75% |
| 2015 | 229,593 | 82,888 | 312,481 | 5.75% |
| 2016 | 243,148 | 69,333 | 312,481 | 5.75% |
| 2017 | 257,503 | 54,977 | 312,480 | 5.75% |
| 2018 | 272,706 | 42,369 | 315,075 | 5.75% |
| 2019-2020 | <u>542,722</u> | <u>30,421</u> | <u>573,143</u> | 5.75% |
| Totals | <u>\$1,762,465</u> | <u>\$ 375,676</u> | <u>\$ 2,138,141</u> | |

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE 4: **LONG-TERM DEBT** (Continued)

A reconciliation of long-term liabilities are shown below:

| | Balance July 1, 2012 | Additions | Retired | Balance June 30, 2013 | Due Within One Year |
|-------------------|----------------------------|--------------------|--------------------------|-----------------------------|---------------------------|
| Mortgage Loan | \$ 1,965,708 | \$ 0 | \$ 203,243 | \$ 1,762,465 | \$ 216,793 |
| Total 2013 | <u>\$ 1,965,708</u> | <u>\$ 0</u> | <u>\$ 203,243</u> | <u>\$ 1,762,465</u> | <u>\$ 216,793</u> |

NOTE 5: **RELATED PARTY TRANSACTIONS**

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

The Authority acts as managing agent for the Corporation and performs all financial and operating functions for the Corporation. The Corporation pays LMHA a managing fee for the services rendered, which totaled \$102,359 for the fiscal year ended June 30, 2013. In fiscal year 2013, there was an increase in management fee due to discontinuing the allocation of various operating expenses by the Authority and implementing a fixed fee based on occupancy. During fiscal years 2012 and prior, various operating expenses were allocated by the Authority to the component unit based on a unit allocation method.

NOTE 6: **CONCENTRATIONS**

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 7: **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 a tenant 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.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | |
|--|------------------------------------|---|-------------------|
| <u>U.S. Department of Housing and Urban Development</u> Section 8 New Construction | 14.182 | N/A | <u>\$ 856,236</u> |

See Note to the Schedule of Expenditures of Federal Awards.

LORAIN COUNTY ELDERLY HOUSING CORPORATION
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: **BASIS OF PRESENTATION**

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

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

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lorain County Elderly Housing Corporation (a non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lorain County Elderly Housing Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lorain County Elderly Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lorain County Elderly Housing Corporation's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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



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

December 3, 2013

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

Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Lorain County Elderly Housing Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2013. The Lorain County Elderly Housing Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Lorain County Elderly Housing Corporation's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lorain County Elderly Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Lorain County Elderly Housing Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lorain County Elderly Housing Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Lorain County Elderly Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lorain County Elderly Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lorain County Elderly Housing Corporation's internal control over compliance.

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

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

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



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

December 3, 2013

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|------------|--|---|
| 2013(i) | Type of Financial Statement Opinion | Unmodified |
| 2013(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| 2013(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| 2013(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2013(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| 2013(iv) | Were there any significant deficiencies In internal control reported for major federal programs? | No |
| 2013(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| 2013(vi) | Are there any reportable findings under .510(a)? | No |
| 2013(vii) | Major Programs (list): Section 8 Housing - CFDA# 14.182 | |
| 2013(viii) | Dollar Threshold: Type A\B Programs | Type A: >\$300,000 Type B: >all others |
| 2013(ix) | Low Risk Auditee? | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LORAIN COUNTY ELDERLY HOUSING CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no significant or material findings or questioned costs included in the audit report for the year ended June 30, 2012.



Dave Yost • Auditor of State

LORAIN METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2014**