

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

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Lake Metropolitan Housing Authority
189 First Street
Painesville, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Lake Metropolitan Housing Authority, Lake County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 14, 2015

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**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FOR THE YEAR ENDED JUNE 30, 2014**

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Perry & Associates

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INDEPENDENT AUDITOR'S REPORT

November 30, 2014

Lake Metropolitan Housing Authority
Lake County
189 First Street
Painesville, Ohio 44077

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The supplemental financial data schedules presented on pages 24 through 27 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

The schedule of federal awards expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

LAKE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014 UNAUDITED

The Lake 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

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 (beginning on page 10).

FINANCIAL HIGHLIGHTS

- During FY 2014, the Authority's net position increased by \$1,110,034 (or 15.31%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$8,360,334 and \$7,250,300 for FY 2014 and FY 2013 respectively.
- Total revenue increased by \$1,190,783 (or 10.45%) during FY 2014. The increase was a combination of Housing Assistance Payments (HAP) increases as our leasing rates increased, capital grants used for capital purchases and other governmental grants related to the ParkView Place project rehabilitation. Total revenues were \$12,581,920 and \$11,391,137 for FY 2014 and FY 2013 respectively.
- The total expenses of the Authority decreased by \$575,776 (or 4.78%). Most of the decrease was due to a decreased number of leased units in our Housing Choice Voucher Program. This was mainly due to reduced overall Federal funding levels in that program. Also, we did not have the large expense related to the relocation of former tenants of ParkView Place that we had last year. Total expenses were \$11,471,886 and \$12,047,662 for FY 2014 and FY 2013 respectively.

Authority Financial Statements

The Authority financial statements are designed to be corporate-like in that all business type activities are consolidated for the entire Authority. These 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 for the Authority. The statement is presented in the format where Assets - Liabilities = Net Position, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The purpose of the Statement of Net Position (the "Unrestricted Net Position") is to report the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position (formerly equity) is reported in three broad categories:

Net Investment in Capital Assets: This component of net position consists of all 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 position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position", although there may also be certain restrictions placed on the use of these funds.

LAKE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014 UNAUDITED

Authority Financial Statements (Continued)

The Authority financial statements also include a statement of revenues, expenses and change in net position (similar to an Income Statement). This statement includes operating revenue, such as rental income, operating expenses, such as administrative, utility, maintenance and depreciation. This statement also includes non-operating revenue and expenses, such as capital grant revenue, investment income and interest expense.

The purpose of the statement of revenues, expenses and changes in net position is to report the agencies operating performance for the fiscal year. The "Change in Net Position" (similar to Net Income or Loss in the private sector), is the result.

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

Fund Financial Statements

The Authority consists exclusively of Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

Public Housing Program: Under the conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Funds 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 tenant family's rent through a Housing Assistance Payment made to the landlord. This was formerly known as Section 8. The program is also administered under and 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% of household income.

ParkView Place: Purchased in 2012 the renovation of two apartment buildings in Willoughby (formerly known as River Isle), began in April 2013 and will ultimately consist of forty units, divided into two programs for reporting purposes. Twenty-five future Public Housing units are currently reported as **Other Federal Programs 1**, and are funded by a HUD grant that was originally intended to build 25 single-family Public Housing units in Lake County. Once completed, these Public Housing units will be funded under the ACC, eligible to receive Operating Subsidy and Capital Funds. The remaining fifteen units are reported as **Other Federal Programs 2**. These 15 units are being funded and operated from sources "other than public housing funds" which include, but are not limited to, **State and Local** program funds.

LAKE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED**

The Authority's Programs (Continued)

State and Local Program: Under its local program, Lake MHA manages investments of locally controlled funding accumulated in past years until decisions are reached regarding how to use the funds to further the purposes of Lake MHA. These funds are also used for any non-federal expenditure incurred by the agency.

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET POSITION

	<u>6/30/2014</u>	<u>6/30/2013</u>
Current and Other Assets	\$ 1,994,189	\$ 3,218,712
Capital Assets	<u>7,278,008</u>	<u>4,865,708</u>
Total Assets:	<u>\$ 9,272,197</u>	<u>\$ 8,084,420</u>
Current Liabilities	\$ 781,121	\$ 629,624
Non-Current Liabilities	<u>130,742</u>	<u>204,496</u>
Total Liabilities:	<u>\$ 911,863</u>	<u>\$ 834,120</u>
Net Position:		
Net Investment In Capital Assets	\$ 7,278,008	\$ 4,865,708
Restricted	334,389	318,880
Unrestricted	<u>747,937</u>	<u>2,065,712</u>
Total Net Position:	<u>\$ 8,360,334</u>	<u>\$ 7,250,300</u>

For more detailed information see page 10 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Total assets increased by \$1,187,777 or 14.69% and total liabilities were increased by \$77,743 or 9.32%. Current assets are used to extinguish liabilities. The previously mentioned ParkView Place project was the major factor that affected total net position and the overall distribution of them by category. The majority of the rehabilitation efforts of that project were completed in Fiscal Year 2014. The overall increase in total net position was a result of utilizing the balance of the HUD grant funds that were allocated to the project, while the remaining costs of the project were funded from unrestricted net position, which explains the dramatic drop in those funds. For more detail see Tables 2, 5 and 6.

Table 2 presents details on the change in Unrestricted Net Position and Table 3 details the change in Restricted Net Position, which primarily consists of Housing Assistance Payment (HAP) funds.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED

Major Factors Affecting the Statement of Net Position (Continued)

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/13	\$	2,065,712
Results of Operations	\$	1,110,034
Adjustments:		
Depreciation (1)		524,270
Change in Restricted Net Position		<u>(15,509)</u>
Adjusted Results from Operations		1,618,795
Capital Expenditures		<u>(2,936,570)</u>
Unrestricted Net Position 6/30/14	\$	<u>747,937</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net position.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in unrestricted net position may provide a clearer picture of operating results since it removes both the restricted and capital transactions from the overall agency operating report.

Table 3 reflects the annual changes of restricted net position balance in Fiscal Year 2014. These funds can only be used for Housing Assistance Payments (HAP) in the Housing Choice Voucher program.

TABLE 3

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position - 6/30/2013	\$	318,880
HAP Revenue less Expense	\$	(36,492)
Fraud Revenue Collection		11,071
FSS Forfeitures		<u>40,930</u>
Change in Restricted Net Position		<u>15,509</u>
Restricted Net Position - 6/30/2014	\$	<u>334,389</u>

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED

Major Factors Affecting the Statement of Net Position (Continued)

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 4
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	FY 2014	FY 2013
Revenue:		
HUD Operating Subsidies and Grants	\$ 10,094,141	\$ 9,694,261
Tenant Revenue	655,609	643,748
Capital Grant	420,885	-
Other Government Grants	1,344,820	994,292
Investment Income	2,562	4,002
Other Revenue	<u>63,903</u>	<u>54,834</u>
Total Revenue	\$ 12,581,920	\$ 11,391,137
Expenses:		
Housing Assistance Payments	\$ 8,699,641	\$ 9,167,262
Administrative Expense	1,299,676	1,284,060
Tenant Services	-	233,067
Utilities	265,690	216,515
Maintenance	491,667	463,296
Protective Services	7,473	20,633
General Expenses	159,422	138,752
Extraordinary Maintenance	24,047	8,395
Depreciation Expense	<u>524,270</u>	<u>515,682</u>
Total Expenses	\$ 11,471,886	\$ 12,047,662
Net Increase (Decrease)	<u>\$ 1,110,034</u>	<u>\$ (656,525)</u>

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

There was a significant overall increase in net position as opposed to last year. There were four major factors that make up the majority of the net difference as compared to Fiscal Year 2013.

- HUD Development and other Federal grants received for the renovation of the ParkView Place project contributed over \$300,000 additional dollars to the agency's overall net position over last year.
- Capital improvements paid for through prior Capital Fund grants resulted in an increase of over \$400,000.

LAKE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
UNAUDITED**

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

- An increase in Housing Assistant Payments (HAP) received of about \$500,000 due to higher previous lease rates and other related factors built into the HUD funding formula.
- A decrease of nearly \$600,000 in total operating expenses, mainly due to decreased actual lease rates in the current year and the elimination of a non-recurring expense related to the ParkView Place project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/14 the Authority had \$7,278,008 in capital assets as reflected in the following schedule, which represents a net increase of \$2,412,299 over last fiscal year end.

**TABLE 5
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**

	6/30/2014	6/30/2013
Land and Land Rights	\$ 1,063,845	\$ 1,156,324
Building & Improvements	10,289,056	10,033,406
Equipment - Dwelling	63,017	63,017
Equipment - Administrative	542,244	490,182
Construction in Progress	3,227,644	506,307
Accumulated Depreciation	<u>(7,907,798)</u>	<u>(7,383,528)</u>
Total	<u>\$ 7,278,008</u>	<u>\$ 4,865,708</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

**TABLE 6
CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Beginning Balance, July 1, 2013	\$ 4,865,708
Additions	3,029,049
Deletions	(92,479)
Depreciation	<u>(524,270)</u>
Ending Balance, June 30, 2014	<u>\$ 7,278,008</u>

The majority of the increase in Capital Assets is the net result of current fiscal year construction-in-progress costs for the ParkView Place project, however there were also several other capital asset additions in the Public Housing program, the largest being a total roof replacement at one of our apartment buildings.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014
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Debt Outstanding

As of 6/30/14 the Authority had no outstanding debt.

ECONOMIC FACTORS

Lake Metropolitan Housing Authority is dependent on HUD subsidies to administer their programs and maintain their properties. Federal budget cuts have resulted in significantly reduced subsidies for all components of our two major programs, Housing Choice Voucher and Public Housing. We will continue to focus on operating efficiency and financial responsibility as we expect the uncertain federal funding climate to continue into the foreseeable future. These factors, along with the rising cost of providing affordable health care, have also made it more difficult to compete for and retain quality employees. We will continue to explore potential alternative funding sources and growth areas that do not require dependence on federal funding.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Thomas P. Huth, Director of Finance of the Lake Metropolitan Housing Authority, 189 First Street, Painesville, Ohio, 44077.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

Assets

Current Assets:

Cash and Cash Equivalents - Unrestricted	\$ 1,368,194
Cash and Cash Equivalents - Restricted	560,171
Receivables, Net	20,322
Prepaid Expenses	45,502
Total Current Assets	<u>1,994,189</u>

Noncurrent Assets:

Capital Assets:

Land	1,063,845
Building and Equipment	10,894,317
Construction in Progress	3,227,644
Less: Accumulated Depreciation	<u>(7,907,798)</u>
Total Noncurrent Assets	<u>7,278,008</u>

Total Noncurrent Assets	<u>7,278,008</u>
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Total Assets	<u>\$ 9,272,197</u>
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Liabilities

Current Liabilities:

Accounts Payable	\$ 623,644
Accrued Liabilities	81,578
Accrued Compensated Absences	13,162
Intergovernmental Payable	12,482
Tenant Security Deposits	50,255
Total Current Liabilities	<u>781,121</u>

Long Term Liabilities:

Accrued Compensated Absences	52,646
Other Long Term Liabilities	78,096
Total Long Term Liabilities	<u>130,742</u>

Total Liabilities	<u>911,863</u>
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Net Position:

Net Investment In Capital Assets	7,278,008
Restricted	334,389
Unrestricted	747,937
	<u>8,360,334</u>

Total Net Position	<u>8,360,334</u>
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Total Liabilities and Net Position	<u>\$ 9,272,197</u>
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See accompanying notes to the basic financial statements.

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

Operating Revenues:	
Tenant Revenue	\$ 675,416
Government Operating Grants	11,859,846
Other Revenue	<u>44,096</u>
Total Operating Revenues	<u>12,579,358</u>
Operating Expenses:	
Administrative	1,299,676
Utilities	265,690
Maintenance	515,714
Insurance	74,898
General	84,524
Protective Services	7,473
Housing Assistance Payments	8,699,641
Depreciation	<u>524,270</u>
Total Operating Expenses	<u>11,471,886</u>
Operating Income	1,107,472
Other Non-Operating Revenues:	
Investment Income - Unrestricted	<u>2,562</u>
Total Other Non-Operating Revenues	<u>2,562</u>
Change in Net Position	1,110,034
Net Position, Beginning of the Year	<u>7,250,300</u>
Net Position, End of Year	<u>\$ 8,360,334</u>

See accompanying notes to the basic financial statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Operating Grants	\$ 11,418,765
Cash Received from Tenants	697,051
Cash Received from Other Income	44,096
Cash Payments for Housing Assistance Payments	(8,699,641)
Cash Payments for General and Administrative Expenses Paid	(1,747,022)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,713,249
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Earned	2,562
(Purchase) Sale of Investments	400,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	402,562
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Assets Sold	92,479
Capital Assets Purchased	(3,029,049)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(2,936,570)
Net Increase (Decrease) in Cash and Cash Equivalents	(820,759)
Cash and Cash Equivalents at Beginning of Year	2,749,124
Cash and Cash Equivalents at End of Year	\$ 1,928,365
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ 1,107,472
Adjustments:	
Depreciation	524,270
(Increase) Decrease in :	
Receivables, Net	18,521
Prepaid Expenses	(14,757)
Increase (Decrease) in:	
Accounts Payable	563,139
Accrued Liabilities	27,677
Intergovernmental Payable	(44,420)
Tenant Security Deposits	3,114
Unearned Revenue	(396,661)
Accrued Compensated Absences	(6,763)
Other Long Term Liabilities	(68,343)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,713,249

See accompanying notes to the basic financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Lake 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. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The Authority depends on the subsidies from HUD to operate.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has no component units that are presented in the financial statements.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

The enterprise fund is used to account for the 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 purposes.

Measurement Focus and Basis of Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

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

Change in Accounting Principles

For 2014, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement 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", and GASB Statement No. 65, "Items Previously Reported 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 No. 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.

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 GASBs 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 to the Authority's financial statements.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Programs

The following are the various programs which are included in the single enterprise fund:

Public Housing Program

The public housing program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development of housing.

Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low income persons.

ParkView Place

ParkView Place (formerly River Isle) is a 40 unit apartment complex in Willoughby, Ohio which was purchased and is currently being renovated for the purpose of providing 25 additional Public Housing units and 15 other affordable housing units to Lake County. This project will be completed in Fiscal Year 2015. The following two programs represent the component parts of that project:

Other Federal Programs 1 (Public Housing Development Program)

The Authority administers grant funds received from HUD for future development of housing. In 2011 HUD approved the purchase and renovation of ParkView Place (formerly known as River Isle) with grant funds received in prior years that were originally intended to purchase vacant lots for future public housing sites. The current activity in this fund represents the renovation and maintenance costs for the 25 Public Housing units (of the 40 total).

Other Federal Programs 2

The renovation and maintenance cost of the remaining 15 affordable housing units are funded through unrestricted (including State and Local) reserves. Occasionally, LMHA may apply for and receive additional funding from the Lake County allocation of federal funding, including Community Development Block Grant (CDBG) and HOME funds. This activity is reported in this fund.

State and Local

The State and Local fund represents the assets and activity of all prior and current non-federal programs, etc. These assets may be used to create other non-federal programs or supplement any of the existing federal programs.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting

The Authority is required by contractual agreement to adopt annual, appropriated operating budgets for all HUD funded programs. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. The Board of Commissioners adopts a budget through passage of a budget resolution.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$5,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Building and Land Improvements	15 years
Furniture, Fixtures and Equipment	7 years
Vehicles	7 years

Total depreciation expense for the 2014 fiscal year was \$524,270.

Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

The following is a summary of changes in compensated absence for the fiscal year ending June 30, 2014:

<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/14</u>	<u>Due Within</u> <u>One Year</u>
\$ 72,571	\$ 67,861	\$ 74,624	\$ 65,808	\$ 13,162

Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as non-operating revenues.

Accounts Receivable

Management considers all accounts receivable to be collectable.

Accrued Interest Receivable

Accrued interest receivable represents the amount of interest earned but not collected on certificates of deposits as of the balance sheet date. Interest is collected upon maturity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year-end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted Net Positions are available, the Authority first applies restricted net position. Net Position restricted by HUD was \$334,389.

Income Taxes

No provision for income taxes is recorded as the Authority is a political subdivision of the State of Ohio and is exempt from all income taxes.

NOTE 2 – DEPOSITS AND INVESTMENTS

The provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Deposits

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

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

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

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

At year-end, the carrying amount of the Authority's deposits was \$1,928,365 (including \$402 of petty cash) and the bank balance was \$1,946,364.

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. The financial institution collateral pool that insures public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$750,000 were covered by Federal Depository and \$1,196,364 was covered by the collateral pool.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks or at member banks of the Federal Reserve System in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Investments

The Authority had only demand deposits at June 30, 2014, therefore is not subject to interest rate, credit concentration, or custodial credit risk.

NOTE 3 – RESTRICTED CASH

Restricted cash balance as of June 30, 2014 of \$560,171 represents the following:

Unspent funding provided by HUD to make Housing Assistance Payments in the Housing Choice Voucher Program	\$ 334,389
Unspent Development Program funding provided by HUD	97,430
Family Self-Sufficiency Escrows	78,097
Tenant Security Deposits	<u>50,255</u>
Total	<u>\$ 560,171</u>

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

NOTE 4 – CAPITAL ASSETS

A summary of capital assets at June 30, 2014 is as follows:

	Balance 6/30/2013	Increase	Decrease	Balance 6/30/2014
Capital Assets Not Depreciated				
Land	\$ 1,156,324	\$ -	\$ (92,479)	\$ 1,063,845
Construction-In-Progress	506,307	2,721,337	-	3,227,644
Total Capital Assets Not Depreciated	<u>1,662,631</u>	<u>2,721,337</u>	<u>(92,479)</u>	<u>4,291,489</u>
Capital Assets Depreciated				
Buildings and Improvements	10,033,406	255,650	-	10,289,056
Furniture, Equipment and Machinery	553,199	52,062	-	605,261
Total Capital Assets Depreciated	<u>10,586,605</u>	<u>307,712</u>	<u>-</u>	<u>10,894,317</u>
Accumulated Depreciation				
Buildings and Improvements	(7,076,808)	(464,928)	-	(7,541,736)
Furniture, Equipment and Machinery	(306,720)	(59,342)	-	(366,062)
Total Accumulated Depreciation	<u>(7,383,528)</u>	<u>(524,270)</u>	<u>-</u>	<u>(7,907,798)</u>
Total Capital Assets Depreciated, Net	<u>3,203,077</u>	<u>(216,558)</u>	<u>-</u>	<u>2,986,519</u>
Total Capital Assets, Net	<u>\$ 4,865,708</u>	<u>\$ 2,504,779</u>	<u>\$ (92,479)</u>	<u>\$ 7,278,008</u>

NOTE 5 - DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to 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 provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Direct Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

NOTE 5 - DEFINED BENEFIT PENSION PLAN (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer rates were consistent across all three plans. The 2014 member contribution rates were 10.0% for members 14.0% for employers of covered payroll. The Authority's contribution for the years ended June 30, 2014, 2013, 2012, were \$120,356, \$121,367 and \$132,707, respectively. All required payments of contributions have been made through June 30, 2014. All required contributions for the two previous years have been paid.

NOTE 6 - POST-EMPLOYMENT BENEFITS

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and 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 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 <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614)222-5601 or 1-800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employees 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 benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Authority contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contribution to the OPEB Plan.

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

NOTE 6- POST-EMPLOYMENT BENEFITS (Continued)

OPERS Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding the post-employment health care benefits. The portion of employer contributions allocated to the health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2013, 2012, and 2011, which were used to fund post-employment benefits were \$3,240, \$12,704 and \$20,442 respectively.

The Health Care Prevention Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Members and employers contribution rates increased January 1 of each year from 2006 to 2008. These rates increased allowed additional funds to be allocated to the health care plan.

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

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities.

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

NOTE 8 – LONG-TERM DEBT

The Authority had no long term debt as of June 30, 2014.

NOTE 9 – CONTINGENT LIABILITIES

Litigations and Claims

In the normal course of operations the MHA may be subject to litigation and claims. At June 30, 2014 the MHA was involved in such a matter. While the outcome of this matter cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

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

NOTE 9 – CONTINGENT LIABILITIES (Continued)

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recapture amounts would not have a material adverse effect on the overall financial position at June 30, 2014.

NOTE 10 – SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 30, 2014, the date on which the financial statements were available to be issued, and is not aware of any matter to disclose or to consider disclosing concerning such an event.

NOTE 11 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2014, the Authority electronically submitted an unaudited version of the statement of net position, statement of revenues, expenses and changes in net position and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by HUD.

NOTE 12 – INTER-PROGRAM RECEIVABLES/PAYABLES

Inter-program balance at June 30, 2014, consists of the following receivables and payables:

	Due From	Due To
Public Housing	\$ 222,439	\$ 174
Housing Choice Voucher	-	7,492
Other Federal Program 1	-	97,495
Other Federal Program 2	230,413	117,452
State and Local	174	230,413
	\$ 453,026	\$ 453,026

All Authority vendor expenses are paid through one cash account for control purposes. The majority of inter-program Due from/Due to amounts is a result of timing differences between the accrual of expense and actual payment between federal program expenses. These amounts are usually immaterial and are reconciled on a monthly basis. The majority of the ParkView Place / State and Local Due from/Due to amounts are a result of one large invoice for renovation work performed in the last month of the fiscal year but received after June 30, 2014. These balances are eliminated for the Statement of Net Position on page 10.

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2014

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$835,976	\$27,045	\$0	\$0	\$505,173	\$1,368,194	\$0	\$1,368,194
113 Cash - Other Restricted	\$0	\$412,486	\$97,430	\$0	\$0	\$509,916	\$0	\$509,916
114 Cash - Tenant Security Deposits	\$50,255	\$0	\$0	\$0	\$0	\$50,255	\$0	\$50,255
100 Total Cash	\$886,231	\$439,531	\$97,430	\$0	\$505,173	\$1,928,365	\$0	\$1,928,365
121 Accounts Receivable - PHA Projects	\$0	\$0	\$188,333	\$0	\$0	\$188,333	-\$188,333	\$0
122 Accounts Receivable - HUD Other Projects	\$1,770	\$0	\$0	\$0	\$0	\$1,770	\$0	\$1,770
125 Accounts Receivable - Miscellaneous	\$9,999	\$928	\$0	\$0	\$0	\$10,927	\$0	\$10,927
126 Accounts Receivable - Tenants	\$8,625	\$9,197	\$0	\$0	\$0	\$17,822	\$0	\$17,822
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,000	-\$9,197	\$0	\$0	\$0	-\$10,197	\$0	-\$10,197
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$19,394	\$928	\$188,333	\$0	\$0	\$208,655	-\$188,333	\$20,322
142 Prepaid Expenses and Other Assets	\$38,812	\$6,690	\$0	\$0	\$0	\$45,502	\$0	\$45,502
144 Inter Program Due From	\$222,439	\$0	\$0	\$230,413	\$174	\$453,026	-\$453,026	\$0
150 Total Current Assets	\$1,166,876	\$447,149	\$285,763	\$230,413	\$505,347	\$2,635,548	-\$641,359	\$1,994,189
161 Land	\$692,731	\$0	\$244,262	\$126,852	\$0	\$1,063,845	\$0	\$1,063,845
162 Buildings	\$9,078,281	\$21,652	\$695,975	\$493,148	\$0	\$10,289,056	\$0	\$10,289,056
163 Furniture, Equipment & Machinery - Dwellings	\$63,017	\$0	\$0	\$0	\$0	\$63,017	\$0	\$63,017
164 Furniture, Equipment & Machinery - Administration	\$460,576	\$81,668	\$0	\$0	\$0	\$542,244	\$0	\$542,244
166 Accumulated Depreciation	-\$7,790,418	-\$55,446	-\$36,249	-\$25,685	\$0	-\$7,907,798	\$0	-\$7,907,798
167 Construction in Progress	\$0	\$0	\$2,032,144	\$1,195,500	\$0	\$3,227,644	\$0	\$3,227,644
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,504,187	\$47,874	\$2,936,132	\$1,789,815	\$0	\$7,278,008	\$0	\$7,278,008
180 Total Non-Current Assets	\$2,504,187	\$47,874	\$2,936,132	\$1,789,815	\$0	\$7,278,008	\$0	\$7,278,008
190 Total Assets	\$3,671,063	\$495,023	\$3,221,895	\$2,020,228	\$505,347	\$9,913,556	-\$641,359	\$9,272,197
200 Deferred Outflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$3,671,063	\$495,023	\$3,221,895	\$2,020,228	\$505,347	\$9,913,556	-\$641,359	\$9,272,197

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2014

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$322,415	\$0	\$188,268	\$112,961	\$0	\$623,644	\$0	\$623,644
321 Accrued Wage/Payroll Taxes Payable	\$39,675	\$0	\$0	\$0	\$0	\$39,675	\$0	\$39,675
322 Accrued Compensated Absences - Current Portion	\$6,081	\$7,081	\$0	\$0	\$0	\$13,162	\$0	\$13,162
332 Account Payable - PHA Projects	\$188,333	\$0	\$0	\$0	\$0	\$188,333	-\$188,333	\$0
333 Accounts Payable - Other Government	\$12,482	\$0	\$0	\$0	\$0	\$12,482	\$0	\$12,482
341 Tenant Security Deposits	\$50,255	\$0	\$0	\$0	\$0	\$50,255	\$0	\$50,255
346 Accrued Liabilities - Other	\$41,903	\$0	\$0	\$0	\$0	\$41,903	\$0	\$41,903
347 Inter Program - Due To	\$174	\$7,492	\$97,495	\$117,452	\$230,413	\$453,026	-\$453,026	\$0
310 Total Current Liabilities	\$661,318	\$14,573	\$285,763	\$230,413	\$230,413	\$1,422,480	-\$641,359	\$781,121
353 Non-current Liabilities - Other	\$0	\$78,096	\$0	\$0	\$0	\$78,096	\$0	\$78,096
354 Accrued Compensated Absences - Non Current	\$24,323	\$28,323	\$0	\$0	\$0	\$52,646	\$0	\$52,646
350 Total Non-Current Liabilities	\$24,323	\$106,419	\$0	\$0	\$0	\$130,742	\$0	\$130,742
300 Total Liabilities	\$685,641	\$120,992	\$285,763	\$230,413	\$230,413	\$1,553,222	-\$641,359	\$911,863
400 Deferred Inflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.4 Net Investment in Capital Assets	\$2,504,188	\$47,873	\$2,936,132	\$1,789,815	\$0	\$7,278,008	\$0	\$7,278,008
511.4 Restricted Net Position	\$0	\$334,389	\$0	\$0	\$0	\$334,389	\$0	\$334,389
512.4 Unrestricted Net Position	\$481,234	-\$8,231	\$0	\$0	\$274,934	\$747,937	\$0	\$747,937
513 Total Equity - Net Assets / Position	\$2,985,422	\$374,031	\$2,936,132	\$1,789,815	\$274,934	\$8,360,334	\$0	\$8,360,334
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$3,671,063	\$495,023	\$3,221,895	\$2,020,228	\$505,347	\$9,913,556	-\$641,359	\$9,272,197
70300 Net Tenant Rental Revenue	\$655,609	\$0	\$0	\$0	\$0	\$655,609	\$0	\$655,609
70400 Tenant Revenue - Other	\$19,807	\$0	\$0	\$0	\$0	\$19,807	\$0	\$19,807
70500 Total Tenant Revenue	\$675,416	\$0	\$0	\$0	\$0	\$675,416	\$0	\$675,416

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2014

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
70600 HUD PHA Operating Grants	\$701,149	\$9,506,165	\$0	\$0	\$0	\$10,207,314	\$0	\$10,207,314
70610 Capital Grants	\$307,712	\$0	\$0	\$0	\$0	\$307,712	\$0	\$307,712
70800 Other Government Grants	\$0	\$0	\$1,298,620	\$46,200	\$0	\$1,344,820	\$0	\$1,344,820
71100 Investment Income - Unrestricted	\$704	\$0	\$178	\$0	\$1,680	\$2,562	\$0	\$2,562
71400 Fraud Recovery	\$0	\$22,141	\$0	\$0	\$0	\$22,141	\$0	\$22,141
71500 Other Revenue	\$0	\$2,583	\$0	\$0	\$19,372	\$21,955	\$0	\$21,955
70000 Total Revenue	\$1,684,981	\$9,530,889	\$1,298,798	\$46,200	\$21,052	\$12,581,920	\$0	\$12,581,920
91100 Administrative Salaries	\$228,481	\$459,250	\$0	\$0	\$0	\$687,731	\$0	\$687,731
91200 Auditing Fees	\$4,890	\$7,360	\$0	\$0	\$0	\$12,250	\$0	\$12,250
91500 Employee Benefit contributions - Administrative	\$106,028	\$207,582	\$0	\$0	\$0	\$313,610	\$0	\$313,610
91700 Legal Expense	\$2,046	\$7,608	\$0	\$0	\$0	\$9,654	\$0	\$9,654
91800 Travel	\$5,999	\$9,070	\$0	\$0	\$0	\$15,069	\$0	\$15,069
91900 Other	\$90,104	\$116,505	\$260	\$0	\$54,493	\$261,362	\$0	\$261,362
91000 Total Operating - Administrative	\$437,548	\$807,375	\$260	\$0	\$54,493	\$1,299,676	\$0	\$1,299,676
93100 Water	\$50,691	\$503	\$571	\$342	\$0	\$52,107	\$0	\$52,107
93200 Electricity	\$164,839	\$3,887	\$1,727	\$1,036	\$0	\$171,489	\$0	\$171,489
93300 Gas	\$40,854	\$613	\$392	\$235	\$0	\$42,094	\$0	\$42,094
93000 Total Utilities	\$256,384	\$5,003	\$2,690	\$1,613	\$0	\$265,690	\$0	\$265,690
94100 Ordinary Maintenance and Operations - Labor	\$189,832	\$0	\$0	\$0	\$0	\$189,832	\$0	\$189,832
94200 Ordinary Maintenance and Operations - Materials and Other	\$81,074	\$2,552	\$0	\$0	\$0	\$83,626	\$0	\$83,626
94300 Ordinary Maintenance and Operations Contracts	\$128,724	\$0	\$63	\$38	\$2,130	\$130,955	\$0	\$130,955
94500 Employee Benefit Contributions - Ordinary Maintenance	\$87,255	\$0	\$0	\$0	\$0	\$87,255	\$0	\$87,255
94000 Total Maintenance	\$486,885	\$2,552	\$63	\$38	\$2,130	\$491,668	\$0	\$491,668
95200 Protective Services - Other Contract Costs	\$7,224	\$0	\$156	\$93	\$0	\$7,473	\$0	\$7,473
95000 Total Protective Services	\$7,224	\$0	\$156	\$93	\$0	\$7,473	\$0	\$7,473
96110 Property Insurance	\$59,306	\$7,063	\$5,331	\$3,198	\$0	\$74,898	\$0	\$74,898
96100 Total Insurance Premiums	\$59,306	\$7,063	\$5,331	\$3,198	\$0	\$74,898	\$0	\$74,898
96200 Other General Expenses	\$0	\$9,653	\$1,695	\$0	\$0	\$11,348	\$0	\$11,348
96300 Payments in Lieu of Taxes	\$41,903	\$0	\$0	\$0	\$0	\$41,903	\$0	\$41,903
96400 Bad debt - Tenant Rents	\$31,273	\$0	\$0	\$0	\$0	\$31,273	\$0	\$31,273
96000 Total Other General Expenses	\$73,176	\$9,653	\$1,695	\$0	\$0	\$84,524	\$0	\$84,524

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2014

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
96900 Total Operating Expenses	\$1,320,523	\$831,646	\$10,195	\$4,942	\$56,623	\$2,223,929	\$0	\$2,223,929
97000 Excess of Operating Revenue over Operating Expenses	\$364,458	\$8,699,243	\$1,288,603	\$41,258	-\$35,571	\$10,357,991	\$0	\$10,357,991
97100 Extraordinary Maintenance	\$24,047	\$0	\$0	\$0	\$0	\$24,047	\$0	\$24,047
97300 Housing Assistance Payments	\$0	\$8,699,641	\$0	\$0	\$0	\$8,699,641	\$0	\$8,699,641
97400 Depreciation Expense	\$481,688	\$12,854	\$17,399	\$12,329	\$0	\$524,270	\$0	\$524,270
90000 Total Expenses	\$1,826,258	\$9,544,141	\$27,594	\$17,271	\$56,623	\$11,471,887	\$0	\$11,471,887
10010 Operating Transfer In	\$44,121	\$0	\$0	\$0	\$0	\$44,121	\$0	\$44,121
10020 Operating transfer Out	-\$44,121	\$0	\$0	\$0	\$0	-\$44,121	\$0	-\$44,121
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$141,277	-\$13,252	\$1,271,204	\$28,929	-\$35,571	\$1,110,033	\$0	\$1,110,033
11030 Beginning Equity	\$3,413,290	\$770,041	\$1,378,337	\$781,642	\$906,991	\$7,250,301	\$0	\$7,250,301
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$286,591	-\$382,758	\$286,591	\$979,244	-\$596,486	\$0	\$0	\$0
11170 Administrative Fee Equity	\$0	\$39,642	\$0	\$0	\$0	\$39,642	\$0	\$39,642
11180 Housing Assistance Payments Equity	\$0	\$334,389	\$0	\$0	\$0	\$334,389	\$0	\$334,389
11190 Unit Months Available	2868	17484	\$0	\$0	\$0	20352	\$0	20352
11210 Number of Unit Months Leased	2823	16470	\$0	\$0	\$0	19293	\$0	19293
11270 Excess Cash	\$360,453	\$0	\$0	\$0	\$0	\$360,453	\$0	\$360,453
11620 Building Purchases	\$255,650	\$0	\$0	\$0	\$0	\$255,650	\$0	\$255,650
11640 Furniture & Equipment - Administrative Purchases	\$52,062	\$0	\$0	\$0	\$0	\$52,062	\$0	\$52,062

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

FEDERAL GRANTOR/ PASS-THROUGH ENTITY/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH NUMBER	2014 FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>PASSED THROUGH LAKE COUNTY OFFICE OF PLANNING AND COMMUNITY DEVELOPMENT:</i>			
Community Development Block Grant	14.218	FY 2013	\$ 46,200
<u>DIRECT AWARDS:</u>			
Low Rent Public Housing	14.850	N/A	1,999,769
Public Housing Capital Fund	14.872	N/A	307,712
Section 8 Housing Choice Vouchers	14.871	N/A	<u>9,506,165</u>
Total U.S. Department of Housing and Urban Development			<u>11,859,846</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 11,859,846</u>

The accompanying notes to this schedule are an integral part of this schedule.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures, the “Schedule,” is a summary of the activity of the Authority’s federal award programs. The 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 the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

CFDA Number 14.850 – Low Rent Public Housing consists of the following:

\$	701,149	Public Housing Subsidy
	<u>1,298,620</u>	ParkView Place Development Grant
<u>\$</u>	<u>1,999,769</u>	Total

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

November 30, 2014

Lake Metropolitan Housing Authority
Lake County
189 First Street
Painesville, Ohio 44077

To the Board of Trustees:

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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Marietta, Ohio

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

November 30, 2014

Lake Metropolitan Housing Authority
Lake County
189 First Street
Painesville, Ohio 44077

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDIT RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Low Rent Public Housing CFDA # 14.850 Public Housing Capital Fund CFDA # 14.872 Section 8 Housing Choice Vouchers CFDA # 14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FOR THE YEAR ENDED JUNE 30, 2014**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-1	Fixed Assets Valuation	Yes	N/A
2013-2	Tenant Files – Housing Choice Voucher Program	Yes	N/A
2013-3	Waiting List	Yes	N/A
2013-4	Relocation Expense	Yes	N/A

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Dave Yost • Auditor of State

LAKE METROPOLITAN HOUSING AUTHORITY

LAKE 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
JANUARY 27, 2015**