

LUCAS METROPOLITAN HOUSING AUTHORITY

LUCAS COUNTY, OHIO

**FINANCIAL STATEMENTS
AND SINGLE AUDIT**

FOR THE YEAR ENDED DECEMBER 31, 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lucas Metropolitan Housing Authority, Lucas County, prepared by Bastin & Company, LLC, for the audit period January 1, 2014 through December 31, 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 Lucas Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

July 14, 2015

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LUCAS METROPOLITAN HOUSING AUTHORITY

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43697

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the Lucas Metropolitan Housing Authority, Lucas County, Ohio (the Authority), as of and for the year ended December 31, 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 overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lucas Metropolitan Housing Authority, Lucas County, Ohio as of December 31, 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 Financial Data Schedules and the Statement and Certification of Actual Modernization Cost are presented for purpose of additional analysis as required by the Department of Housing and Urban Development, and are not a required part of the basic financial statements.

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

The statement and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the statement and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the statement and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement and 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 June 12, 2015, 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.

Bastin & Company, LLC

Cincinnati, Ohio
June 12, 2015

LUCAS METROPOLITAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
Unaudited

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

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

LMHA offers this narrative overview of its financial activities for the year ending December 31, 2014.

MISSION STATEMENT

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

FINANCIAL HIGHLIGHTS

Some key highlights of the 2014 financial report include:

- Total assets exceeded total liabilities by \$64,643,849 at December 31, 2014. This is a decrease of \$2,996,823 (4.4%) from the prior year.
- Operating revenues decreased from the prior year by \$988,228 (2.2%) to \$43,877,508 in 2014, compared to \$44,865,736 for 2013. A decrease in the Housing Assistance Payments was the major contributing factor.
- Operating expenses increased from the prior year by \$412,427 (0.8%) to \$50,276,836 in 2014, compared to \$49,864,409 for 2013. Increased operating and depreciation expense offset by decreases in Housing Assistance Payments resulted in the overall increase in costs.
- During 2014, construction began on the new Collingwood Green Phase II Townhouse Complex located on the site adjacent to the new Collingwood Green Phase I housing development.
- In October, 2014, the LMHA was awarded a new Rental Assistance Demonstration project (RAD) from HUD. This was the first award made on this newly developed funding source, which allows us to renovate a former public housing project, and lease it under the Section 8 housing assistance program. The Parqwood Apartments, LP was created to manage this newly developed site.

USING THIS ANNUAL REPORT

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

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

MD&A
Management Discussion and Analysis

Financial Statements
Statements of Net Position
Statements of Revenues, Expenses, and Changes in Net Position
Statements of Cash Flows
Notes to the Financial Statements

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

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

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

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that have been used for the acquisition, construction, or improvement of those assets.

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

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

The *statement of revenues, expenses and changes in net position* is similar to an income statement. This statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as investment income, gains and losses on capital asset disposals and interest expense.

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

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

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

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

- **Low Income Public Housing Program** – Under this program, the LMHA rents units that it owns to low-income households throughout Lucas County. This program operates under an Annual

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

Contributions Contract (ACC) with HUD, which provides an operating subsidy that enables the Agency to provide rental housing at a lower cost, based on 30 percent of household income.

The LMHA currently owns and operates 2,734 rental units subsidized in this program. Per HUD requirements, these units are grouped into six (6) Asset Management Projects, based on size and geographic location that are operated by site-based LMHA Property Managers.

- **Section 8 Program** – Under this program, the LMHA administers contracts with independent landlords that own and lease units within the community. Through a separate ACC with HUD, the LMHA receives a subsidy from HUD that allows the Agency to structure a lease between the landlord and the renter that sets the rent at 30 percent of the household income. LMHA then subsidizes the family's rent through a housing assistance payment made to the landlord. Some of these contracts assist disabled veterans, while others may allow the resident to become homeowners, as a result of their participation in the program. The LMHA currently administers 4,581 vouchers among the various Section 8 Programs, including Housing Choice Voucher, Mainstream, Mod Rehab and Veterans Affairs Supportive Housing (VASH) programs.
- **Capital Fund Grants** – The LMHA receives additional funding from HUD for physical and management improvements to its units within the Low Income Public Housing Program, under the same Annual Contributions Contract. This program provides funding for large-scale improvements or unplanned emergencies that are not covered by the operating subsidy amounts previously mentioned.
- **Resident Service Grants** – Funding through this program is awarded by HUD to provide additional assistance to residents with special needs, or to provide community outreach connections that provide such assistance, for improved quality of life within the Low Income Public Housing community.
- **Shelter Plus Care Grant** – Funding through this program is awarded by HUD to assist community organizations that provide transitional housing for chronically homeless individuals with disabilities or special needs. The LMHA administers the program for a sponsored service provider, assisting with the cost of housing, thereby allowing them to provide supportive services by coordinating their efforts with other organizations for the homeless, to improve their quality of life.
- **Home Improvement Partnership Program** – Funding for this program was awarded by the City of Toledo that passed through funding from HUD. The grant from the City of Toledo provided a portion of the mixed financing agreement related to the Collingwood Green Phase I construction project. The objective of the Home Improvement Partnership Program is to expand the supply of affordable housing, particularly rental housing, for low and very low income Americans.
- **Neighborhood Stabilization Program** – Funding for this program was awarded by the City of Toledo that passed through funding from HUD. The grant from the City of Toledo provided a portion of the mixed financing agreement related to the Collingwood Green Phase I construction project. The Neighborhood Stabilization Program was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
- **Non-HUD/Business Activities Programs** – This area includes programs such as: contract administration, a consortium with other housing authorities in Ohio to manage site-based properties for HUD; the Veterans Fund, a discretionary pool of funding from a variety of

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

activities; the Homeownership Funds, proceeds from the old Turnkey III program, utilized to provide opportunities for low-income families to become homeowners; and the Central Office Cost Center, the management entity related to the operation of the Housing Authority created through the implementation of the asset management program.

• **Component Units**

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

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

Collingwood Green Phase II – Through the Collingwood Green Phase II, LP, a 66 unit mixed-finance and mixed income townhome community is now under construction. The development will include 66 housing units to be owned by Collingwood Green Phase II, LP, of which 33 units will be public housing, developed using Capital Funds received by LMHA from HUD, and a mixed-finance amendment to the Annual Contributions Contract between HUD and LMHA.

Lucas Housing Services Corporation – Through the Lucas Housing Services Corporation, a wholly owned non-profit corporation, the LMHA acquired 53 parcels in 2013, from the Lucas County Land Reutilization Company for the purpose of rehabilitating the single family dwellings to be resold to buyers who are unable to obtain conventional mortgages. To date, the LMHA has successfully sold one home, and is currently working on another four.

Parqwood Apartments LP – In October, 2014, the LMHA was awarded a new Rental Assistance Demonstration project (RAD) from HUD. This was the first award made with this new funding source, which allows us to renovate a former public housing project, and lease it under the Section 8 housing assistance program. The Parqwood Apartments LP was created to manage this newly developed site.

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Position

The following table represents condensed Statements of Net Position:

| | <u>Assets</u> | December 31, 2014 | December 31, 2013 |
|--|---------------------|----------------------|----------------------|
| Current Assets | | \$29,375,191 | \$21,110,854 |
| Other Noncurrent Assets | | 814,783 | 856,065 |
| Capital Assets Net of Accumulated Depreciation | 64,023,421 | 65,231,389 | |
| Total Assets | <u>94,213,395</u> | <u>87,198,308</u> | |
| | <u>Liabilities</u> | | |
| Current and Other Liabilities | | 4,070,289 | 5,959,097 |
| Noncurrent Liabilities | | <u>25,499,257</u> | <u>13,598,539</u> |
| Total Liabilities | | <u>29,569,546</u> | <u>19,557,636</u> |
| | <u>Net Position</u> | | |
| Net Investment in Capital Assets | | 49,137,417 | 53,941,856 |
| Restricted | | 4,591,168 | 4,246,563 |
| Unrestricted | | <u>10,915,264</u> | <u>9,452,253</u> |
| Total Net Position | | <u>\$64,643,849</u> | <u>\$67,640,672</u> |

By far the largest portion of the Authority's net position (76 percent for 2014 and 80 percent for 2013) reflects its net investment in capital assets. The decrease from 2013 was primarily the result of additional depreciation and the issuance of debt, offset by new project costs related to Collingwood Green Phase II and Parqwood Apartments. The Authority uses these capital assets (e.g., buildings, machinery, and equipment) to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

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

Statement of Revenues, Expenses and Changes in Net Position

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

| | Year Ended December 31, 2014 | Year Ended December 31, 2013 |
|--|------------------------------------|------------------------------------|
| <u>Operating Revenue</u> | | |
| Government Operating Grants | \$36,568,085 | \$38,440,455 |
| Tenant Revenue | 6,217,582 | 5,758,711 |
| Other Revenue | 1,091,841 | 666,570 |
| Total Operating Revenue | <u>43,877,508</u> | <u>44,865,736</u> |
| <u>Operating Expenses</u> | | |
| Operating Expenses | 23,286,303 | 21,416,926 |
| Depreciation | 4,637,865 | 4,307,517 |
| Housing Assistance Payments | 22,352,668 | 24,139,966 |
| Total Operating Expenses | <u>50,276,836</u> | <u>49,864,409</u> |
| Operating Loss | (6,399,328) | (4,998,673) |
| Non-Operating Revenues (Expenses) | (660,013) | (140,984) |
| Capital Grants and Contributions | <u>4,062,518</u> | <u>4,863,623</u> |
| Increase (Decrease) in Net Position | (2,996,823) | (276,034) |
| Net Position, Beginning of year | <u>67,640,672</u> | <u>67,916,706</u> |
| Net Position, End of year | <u>\$64,643,849</u> | <u>\$67,640,672</u> |

During 2014, the net position of the Authority decreased by a total of \$2,996,823.

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

The Authority's operating grants decreased by \$1,872,370 primarily due to decreases in funding for Housing Assistance Payments. Overall operating expenses increased by \$412,427 primarily due to increased operating and depreciation expense offset by decreases in Housing Assistance Payments.

Net non-operating revenues (expenses) decreased primarily due to additional interest expense on increased levels of debt that existed during the year as well as recognizing a loss on the disposal of capital assets during 2014 where 2013 reported a gain on the disposal of capital assets. Capital contributions decreased from 2013 levels primarily because additional capital grants from the City of Toledo as part of the mixed-financing arrangements for the Collingwood Green Phase I project were received in 2013.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2014, the Authority's capital assets totaled \$64,023,421 (capital assets net of accumulated depreciation) as reflected in the following schedule.

| | December 31, 2014 | December 31, 2013 |
|-----------------------------------|----------------------|----------------------|
| Land and improvements | \$ 7,795,448 | \$ 9,492,090 |
| Buildings and improvements | 172,161,038 | 167,600,474 |
| Furniture, fixtures and equipment | 1,703,632 | 2,485,205 |
| Construction in progress | 10,547,351 | 9,208,640 |
| Accumulated Depreciation | (128,184,048) | (123,555,020) |
| Total | <u>\$ 64,023,421</u> | <u>\$ 65,231,389</u> |

During the year ending December 31, 2014, the net change in capital assets amounted to a decrease of \$1,207,968.

The \$4,560,564 increase in buildings is primarily due to recognizing various construction in progress items as buildings during the year, as construction activities were completed. Accumulated depreciation increased by \$4,629,028 primarily as a result of annual depreciation expense.

Additional information on the Authority's capital assets can be found on page 20 of this report.

Debt

As of December 31, 2014, the Authority had \$23,420,369 of debt, a net increase of \$9,979,900 from the prior year. The increase is primarily a result of debt issued to fund construction of the Collingwood Green Phase II and Parqwood Apartments projects.

Additional information on the Authority's long-term debt can be found on page 24 of this report.

ECONOMIC FACTORS

The following factors were considered in preparing the Authority's budget for the 2014 fiscal year.

The Authority has implemented site-specific budgeting and accounting. Both FY2013 and FY2014 budgets were prepared using the site-specific format as directed by HUD. Under the site-specific budget format, there are strict guidelines on how the Central Office Cost Center (COCC) will be funded. Funding for the COCC is derived from fees charged to Asset Management Projects (AMP). The AMPs represent site-specific public housing areas and are managed as separate subsidiary organizations. As such, AMPs have their own financial statements with revenues coming from subsidy transfers, rental accounts, and capital fund transfers. Oversight and supportive services are provided on a fee basis by the Authority's COCC. Additional revenues for the COCC are from the service fees charged to the Voucher programs and other smaller programs. Failure to operate within revenues received will result in lower operating revenue for both the AMPs and the COCC. Failing to maintain occupancy rates of 95% or higher for the AMPs will also reduce operating subsidy transfers between AMPs.

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

The Housing Choice Voucher (HCV) program generates revenue for operations from administrative fees earned from HUD. A portion of these revenues are paid to the COCC as fees for supportive services. In FY2013 the COCC did not charge the HCV program the maximum rate for administrative fees to help the HCV program's administrative budget to limit the use of prior year unrestricted net reserves (UNA). In FY2014 the COCC continued to give a discount to the HCV program because the administrative fee funding from HUD was prorated to 79.769% of eligibility. Although this was almost 11% higher than that of FY2013, the HCV administrative operations still required the use of prior year administrative reserves to keep the program fully utilized.

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

There was no sequestration in FY2014, however, the HUD proration for this program for FY2014 was 88.79%, but unrestricted AMP reserves were again sufficient to cover the deficits in funding.

FY2014 appropriations for the HCV Program faired better than FY2013. The HAP renewal funding is currently prorated at 99% of eligibility.

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

Lucas Metropolitan Housing Authority
Statement of Net Position
December 31, 2014

ASSETS

Current Assets

| | |
|---|-------------------|
| Cash and Cash Equivalents | \$ 10,764,474 |
| Cash and Cash Equivalents - Restricted | 4,696,080 |
| Investments - Restricted | 12,744,109 |
| Grants receivable | 346,973 |
| Tenant Accounts Receivables, Net of Allowance | 142,473 |
| Accounts Receivable - Other | 351,036 |
| Notes Receivable - Current | 84,022 |
| Interest Receivable | 34,683 |
| Prepaid Expenses and Other Current Assets | 211,341 |
| Total Current Assets | 29,375,191 |

Noncurrent Assets

| | |
|---------------------------------|----------------------|
| Notes Receivable - Noncurrent | 678,446 |
| Assets Held for Resale | 57,297 |
| Other Noncurrent Assets | 79,040 |
| Nondepreciable Capital Assets | 18,342,799 |
| Depreciable Capital Assets, Net | 45,680,622 |
| Total Noncurrent Assets | 64,838,204 |
| TOTAL ASSETS | \$ 94,213,395 |

LIABILITIES

Current Liabilities

| | |
|--|------------------|
| Accounts Payable | \$ 1,995,868 |
| Accrued Interest Payable | 100,387 |
| Accrued Wages and Payroll Taxes | 412,442 |
| Accrued Compensated Absences - Current | 162,617 |
| Tenant Security Deposits | 316,073 |
| Notes payable - Current | 114,263 |
| Bonds Payable - Current | 325,000 |
| Loans Payable - Current | 92,554 |
| Other Liabilities - Current | 551,085 |
| Total Current Liabilities | 4,070,289 |

Noncurrent Liabilities

| | |
|---|-------------------|
| Notes payable - Noncurrent | 6,521,254 |
| Bonds Payable - Noncurrent | 15,500,000 |
| Loans Payable - Noncurrent | 867,298 |
| Accrued Compensated Absences - Noncurrent | 921,488 |
| Other Liabilities - Noncurrent | 1,689,217 |
| Total Noncurrent Liabilities | 25,499,257 |
| TOTAL LIABILITIES | 29,569,546 |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net Investment in Capital Assets | 49,137,417 |
| Restricted | 4,591,168 |
| Unrestricted | 10,915,264 |
| TOTAL NET POSITION | \$ 64,643,849 |

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

Lucas Metropolitan Housing Authority
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended December 31, 2014

OPERATING REVENUE

| | |
|--------------------------------|-------------------|
| Government Operating Grants | \$ 36,568,085 |
| Tenant Revenue | 6,217,582 |
| Other Revenue | 1,091,841 |
| Total Operating Revenue | 43,877,508 |

OPERATING EXPENSES

| | |
|---------------------------------|------------------------|
| Administrative | 7,756,630 |
| Resident Services | 673,617 |
| Utilities | 3,759,145 |
| Maintenance | 4,003,129 |
| Protective Service | 1,134,350 |
| General | 4,383,431 |
| Housing Assistance Payments | 22,352,668 |
| Insurance and Other Expenses | 1,576,001 |
| Depreciation | 4,637,865 |
| Total Operating Expenses | 50,276,836 |
| Operating Loss | (6,399,328) |

NON-OPERATING REVENUES (EXPENSES)

| | |
|--|------------------|
| Loss on Sale of Capital Assets | (99,860) |
| Interest Income | 56,494 |
| Interest Expense | (616,647) |
| Total Non-operating Revenues (Expenses) | (660,013) |

Loss Before Capital Contributions

(7,059,341)

CAPITAL CONTRIBUTIONS

| | |
|------------------------------------|------------------|
| Capital Grants | 4,062,518 |
| Total Capital Contributions | 4,062,518 |

Increase (Decrease) in Net Position

(2,996,823)

Net Position, Beginning of year

67,640,672

Net Position, End of year

\$ 64,643,849

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

Lucas Metropolitan Housing Authority
Statement of Cash Flows
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Cash Received from Operating Grants | \$ 36,709,068 |
| Cash Received from Tenants | 6,237,170 |
| Other Receipts | 1,091,841 |
| Cash Payments for Housing Assistance | (22,352,668) |
| Cash Payments for Administrative Expenses | (6,981,305) |
| Cash Payments for Other Operating Expenses | (15,777,429) |
| Net Cash Used by Operating Activities | (1,073,323) |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|------------------|
| Capital Grants Received | 3,928,826 |
| Issuance of Notes Receivable | (418,626) |
| Proceeds from Debt | 12,465,000 |
| Purchase of Capital Assets | (4,022,039) |
| Proceeds from Sale of Capital Assets | 43,362 |
| Principal and Interest Paid on Debt | (3,095,306) |
| Net Cash Provided by Capital and Related Financing Activities | 8,901,217 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------------|
| Interest Received | 36,643 |
| Purchase of Investments | (8,451,053) |
| Net Cash Used by Investing Activities | (8,414,410) |

Net Decrease in Cash and Cash Equivalents (586,516)

| | |
|---|----------------------|
| Cash and Cash Equivalents, Beginning of year | 16,047,070 |
| Cash and Cash Equivalents, End of year | \$ 15,460,554 |

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

| | |
|---|-----------------------|
| Operating Loss | \$ (6,399,328) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating activities: | |
| Depreciation | 4,637,865 |
| Change in Allowance for Doubtful Accounts | 70,984 |
| Tenant Security Deposits | (6,481) |
| Operating Grants Receivable | 140,983 |
| Tenant Account Receivables | (43,662) |
| Prepaid Expenses and Other Current Assets | (20,665) |
| Operating Accounts Payable | 834,644 |
| Accrued Compensated Absences | (88,944) |
| Other Liabilities | (198,719) |
| Net Cash Used by Operating Activities | \$ (1,073,323) |

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1. Reporting Entity

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

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

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

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

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

Based upon the foregoing criteria, the Authority has included the operations of Westridge Apartments Development Corporation (WADC), Collingwood Green Phase I, LP, Collingwood Green Phase II, LP, Parqwood Apartments, LP and Lucas Housing Services Corporation as blended component units. WADC was established as a wholly owned for-profit corporation of the Authority in 2006 primarily for the purposes of owning and operating a mixed-income apartment complex. Collingwood Green Phase I, LP, was established as a wholly owned for-profit corporation which began operations in 2012, for the purpose of arranging for the mixed financing and construction of the Collingwood Green Senior Complex, a 65 unit community of which 33 units will be public housing units developed using Capital Funds received by LMHA from HUD, and a mixed-finance amendment to the Annual Contributions Contract between HUD and LMHA. Collingwood Green Phase II, LP, was established as a wholly owned for-profit corporation which began operations in 2014, for the purpose of arranging for the mixed financing and construction of the Collingwood Green Townhouse Complex, a 66 unit community of which 33 units will be public housing units developed using Capital Funds received by LMHA from HUD, and a mixed-finance amendment to the Annual Contributions Contract between HUD and LMHA. Lucas Housing Services Corporation was

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

established as a wholly owned non-profit corporation of the Authority in 2013 primarily for the purposes of purchasing and rehabilitating 53 single family dwelling units for subsequent resale to buyers who are unable to obtain conventional mortgages. Parqwood Apartments LP was established in 2014. This development is the product of a new Rental Assistance Demonstration project (RAD) funding that was awarded to LMHA from HUD. This was the first award made with this new funding source, which allows LMHA to renovate a former public housing project and lease it under the Section 8 housing assistance program.

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

D. Cash and Cash Equivalents

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

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

E. Restricted Cash and Cash Equivalents and Investments

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

F. Investments

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

G. Tenant Receivables and Recognition of Bad Debts

Tenant receivables are stated at net rent amounts. Tenant accounts are generally collectible as long as the tenant is occupying the unit. Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$132,016 at December 31, 2014.

H. Capital Assets

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

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

I. Capitalization of Interest

The Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset.

J. 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.

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

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

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

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that have been used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

L. Operating Revenues and Expenses

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

M. Capital Contributions

Capital Contributions arise from the contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. During 2014, capital contributions totaled \$4,062,518 consisting of \$2,074,091 from Capital Fund Grants, \$1,162,886 from the Collingwood Green Phase II, LP partnership, \$361,819 from the Collingwood Green Phase I, LP partnership, \$397,106 from City of Toledo HOME Grants and \$66,616 from a land bank grant.

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

N. 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.

3. Deposits and Investments

Deposits

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

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

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

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

At December 31, 2014, the carrying amount of the Authority's deposits was \$14,197,869 (including \$3,252,528 of certificates of deposit and \$3,625 of petty cash). Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2014, \$4,055,225 of the Authority's bank balance of \$14,509,684 was covered by Federal Depository Insurance and \$10,454,459 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

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. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution 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 a Federal Reserve Bank in the name of the Authority.

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

Investments

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

The Authority's investments at December 31, 2014 were as follows:

| | |
|---------------------------|---------------------|
| Government Securities | \$1,495,210 |
| Money Market Mutual Funds | 11,248,899 |
| STAR Ohio | 1,262,685 |
| Total investments | <u>\$14,006,794</u> |

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

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has \$1,495,210 of government agency securities that are invested in Federal Home Loan securities, which are government-sponsored agencies, and of which the principal and interest are implicitly guaranteed by the United States government. The Standard and Poor's credit rating for the Federal Home Loan securities held is AA+. The Authority also has \$1,262,685 invested in the State Treasury Asset Reserve (STAR) of Ohio public investment pool and \$11,248,899 invested in money market mutual fund accounts, both of which are rated AAA by Standard & Poor's.

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

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

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

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> |
|-------------------------------|--------------------------------------|---------------------|
| Per Statement of Net Position | \$15,460,554 | \$12,744,109 |
| STAR Ohio | (1,262,685) | 1,262,685 |
| Per GASB Statement No. 3 | <u>\$14,197,869</u> | <u>\$14,006,794</u> |

4. Capital Assets

A summary of capital assets by class is as follows:

| Class | Balance January 1, 2014 | Additions | Reductions | Balance December 31, 2014 |
|--|-------------------------------|---------------------|----------------------|---------------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land and improvements | \$9,492,090 | \$ - | (\$1,696,642) | \$ 7,795,448 |
| Construction in progress | 9,208,640 | 5,359,320 | (4,020,609) | 10,547,351 |
| Subtotal | <u>18,700,730</u> | <u>5,359,320</u> | <u>(5,717,251)</u> | <u>18,342,799</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 167,600,474 | 4,652,472 | (91,908) | 172,161,038 |
| Furniture, fixtures and equipment | 2,485,205 | 65,958 | (847,531) | 1,703,632 |
| Subtotal | <u>170,085,679</u> | <u>4,718,430</u> | <u>(939,439)</u> | <u>173,864,670</u> |
| Total cost | <u>\$188,786,409</u> | <u>\$10,077,750</u> | <u>(\$6,656,690)</u> | <u>\$192,207,469</u> |
| <i>Accumulated depreciation:</i> | | | | |
| Buildings and improvements | (\$122,332,821) | (\$4,586,598) | \$ - | (\$126,919,419) |
| Furniture, fixtures and equipment | (1,222,199) | (51,267) | 8,837 | (1,264,629) |
| Total depreciation | <u>(123,555,020)</u> | <u>(4,637,865)</u> | <u>8,837</u> | <u>(128,184,048)</u> |
| Net Value | <u>\$65,231,389</u> | <u>\$5,439,885</u> | <u>(\$6,647,853)</u> | <u>\$ 64,023,421</u> |

During 2014, additions and reductions presented above include \$4,020,609 of completed construction in progress costs reclassified to buildings and improvements, \$847,531 of furniture, fixtures and equipment that was reclassified to buildings and improvements and \$1,696,642 of land and improvement that was reclassified to construction in progress.

5. 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 Pension 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 employer 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 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.

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. 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 www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, the members of all three plans were required to contribute 10.00 percent of their earnable salaries. The Authority's contribution rate was 14.00 percent of earnable salaries. The pension allocation for the Traditional and Combined Plans was 12.00 percent during calendar year 2014. The Authority's required pension contributions for the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$755,974, \$841,346 and \$703,759, respectively; 100 percent has been contributed for 2014, 2013 and 2012.

6. Post Employment Benefits

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying benefit recipients 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 ten 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible benefit recipients. Authority to establish and amend health care coverage 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 www.opers.org/investments/cafr.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. The 2014 local government employer contribution rate was 14.00 percent of earnable

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(continued)

salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of earnable salaries for local government employers. Active members do not fund 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.00 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00 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. The Authority's actual employer contributions for December 31, 2014, 2013 and 2012 which were used to fund post-employment benefits were \$125,996, \$64,719, and \$281,504, respectively; 100 percent has been contributed for 2014, 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00 percent of the employer contributions toward the health care fund after the end of the transition period.

7. Compensated Absences

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

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

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

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

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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(continued)

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

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

At December 31, 2014, \$1,084,105 of vested vacation, sick leave, and longevity was accrued by the Authority for both union and nonunion personnel. Of this amount, \$162,617 is due within one year as and is reported as a current liability. Non-vested amounts are not material to the financial statements and have not been accrued. A change of \$(88,944) in the balance accrued at December 31, 2014 compared to December 31, 2013, represents amounts earned in 2014 less amounts paid out.

8. Risk Management

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

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

9. Long-term Debt

Changes in long-term debt for the year ended December 31, 2014 is as follows:

| | Balance January 1, 2014 | Additions | Deletions | Balance December 31, 2014 | Amount Due within One Year |
|---|-------------------------------|---------------------|----------------------|---------------------------------|----------------------------------|
| <i>Long-term Debt:</i> | | | | | |
| Westridge Apartments Development Corporation, Note Payable | \$5,243,063 | \$ | - | \$(107,546) | \$5,135,517 |
| Westridge Apartments Development Corporation, Loan Payable | 902,406 | - | (92,554) | 809,852 | 92,554 |
| Collingwood Green Phase I, LP, Capital Fund Housing Revenue Bonds, Series 2012 | 5,175,000 | - | (165,000) | 5,010,000 | 175,000 |
| Collingwood Green Phase I, LP, Bridge Loan Payable | 2,120,000 | - | (2,120,000) | - | - |
| Collingwood Green Phase II, LP, Capital Fund Housing Revenue Bonds, Series 2014 | - | 5,315,000 | - | 5,315,000 | 150,000 |
| Parqwood Apartments LP, RTCAP, Note Payable | - | 1,500,000 | - | 1,500,000 | - |
| Parqwood Apartments LP, Building Loan Payable | - | 150,000 | - | 150,000 | - |
| Parqwood Apartments LP, Multifamily Housing Revenue Bonds, Series 2014 | - | 5,500,000 | - | 5,500,000 | - |
| <i>Other Obligations:</i> | | | | | |
| Compensated absences | 1,173,049 | 87,012 | (175,956) | 1,084,105 | 162,617 |
| Total | <u>\$14,613,518</u> | <u>\$12,552,012</u> | <u>\$(2,661,056)</u> | <u>\$24,504,474</u> | <u>\$694,434</u> |

Westridge Apartments Development Corporation

During 2006, the Westridge Apartments Development Corporation obtained a loan for \$5,885,600 to fund the acquisition of the Westridge Apartments Development apartment complex. The loan bears an interest rate of 5.99 percent and requires monthly payments of \$35,249 through February 1, 2016. A lump-sum payment of the remaining principal balance is due in March 2016.

During 2013, the Authority obtained a loan for \$925,545 to fund acquisition and improvements to the Westridge Apartments Development Corporation apartment complex. The loan maintains a floating variable interest rate equal to the Libor Rate plus 1.65 percent, rounded up to the next 1/8th of 1 percent. The loan requires quarterly principal payments of \$23,139 plus interest, with a final balloon principal payment of \$694,159 due on April 19, 2016.

Collingwood Green Phase I, LP

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

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

As part of constructing the Collingwood Green Senior Complex project, during 2012, the Authority obtained a bridge loan to provide interim financing during construction. The loan bore interest at a per annum rate equal to the Libor Rate plus 200 basis points. The loan was paid in full in 2014.

Collingwood Green Phase II, LP

During 2014 the Authority issued \$5,315,000 of Capital Fund Housing Revenue Bonds, Series 2014, for the development of the Collingwood Green II project. The bonds mature on September 1, 2033, and bear an interest rate of 5.00 percent.

Parqwood Apartments LP

During 2014 the Authority issued \$5,500,000 of Multifamily Housing Revenue Bonds, Series 2014, for the development of the Parqwood Apartments project. The bonds mature on October 1, 2016, and bear an interest rate of 0.60 percent. Interest is payable in April and October of 2015 and 2016, with full principal payable at maturity.

During 2014 Parqwood Apartments LP issued a RTCAP note payable of \$1,500,000 for the development of the Parqwood Apartments project. The interest free loan is payable in four equal installments through August 31, 2024.

During 2014 Parqwood Apartments LP entered into a building loan agreement to provide interim financing during construction. The loan, which has a maximum amount limited to \$1,700,000 provides for draws to be made against the available amount as needed during construction of the project. As of December 31, 2014, \$150,000 of the available loan balance has been drawn down. The loan bears an interest rate of 4.55 percent. Due to the interim nature of the project a formal repayment amortization schedule has not been finalized.

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

| Years Ending December 31, | Principal | Interest | Total |
|---------------------------|--------------------|------------------|--------------------|
| 2015 | \$ 114,263 | \$308,728 | \$ 422,991 |
| 2016 | 5,021,254 | 75,890 | 5,097,144 |
| Total | <u>\$5,135,517</u> | <u>\$384,618</u> | <u>\$5,520,135</u> |

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

| Years Ending December 31, | Principal | Interest | Total |
|---------------------------|-------------------|------------------|-------------------|
| 2015 | \$ 92,554 | \$ 14,728 | \$ 107,282 |
| 2016 | 717,298 | 5,605 | 722,903 |
| Total | <u>\$ 809,852</u> | <u>\$ 20,333</u> | <u>\$ 830,185</u> |

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(continued)

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

| <u>Years Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|--------------------|--------------------|--------------------|
| 2015 | \$ 175,000 | \$ 263,025 | \$ 438,025 |
| 2016 | 180,000 | 253,838 | 433,838 |
| 2017 | 190,000 | 244,387 | 434,387 |
| 2018 | 200,000 | 234,412 | 434,412 |
| 2019 | 210,000 | 223,912 | 433,912 |
| 2020-2024 | 1,245,000 | 940,275 | 2,185,275 |
| 2025-2029 | 1,605,000 | 577,500 | 2,182,500 |
| 2030-2031 | 1,205,000 | 106,837 | 1,311,837 |
| Total | \$5,010,000 | \$2,844,186 | \$7,854,186 |

Future minimum principal and interest payments related to the Collingwood Green Phase II, LP, Capital Fund Housing Revenue Bonds, Series 2014, are as follows:

| <u>Years Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|--------------------|--------------------|--------------------|
| 2015 | \$ 150,000 | \$ 170,523 | \$ 320,523 |
| 2016 | 155,000 | 258,250 | 413,250 |
| 2017 | 165,000 | 250,500 | 415,500 |
| 2018 | 175,000 | 242,250 | 417,250 |
| 2019 | 185,000 | 233,500 | 418,500 |
| 2020-2024 | 1,095,000 | 1,018,000 | 2,113,000 |
| 2025-2029 | 1,455,000 | 710,000 | 2,165,000 |
| 2030-2033 | 1,935,000 | 282,250 | 2,217,250 |
| Total | \$5,315,000 | \$3,165,273 | \$8,480,273 |

Future minimum principal and interest payments related to the Parqwood Apartments LP, RTCAP, Note Payable are as follows:

| <u>Years Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|--------------------|-----------------|--------------------|
| 2015 | \$ - | \$ - | \$ - |
| 2016 | - | - | - |
| 2017 | 375,000 | - | 375,000 |
| 2018 | - | - | - |
| 2019 | - | - | - |
| 2020-2024 | 1,125,000 | - | 1,125,000 |
| Total | \$1,500,000 | \$ - | \$1,500,000 |

Future minimum principal and interest payments related to the Parqwood Apartments LP, Multifamily Housing Revenue Bonds, Series 2014, are as follows:

| <u>Years Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|--------------------|------------------|--------------------|
| 2015 | \$ - | \$ 33,000 | \$ 33,000 |
| 2016 | 5,500,000 | 33,000 | 5,533,000 |
| Total | \$5,500,000 | \$ 66,000 | \$5,566,000 |

LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

(continued)

11. Commitments and Contingencies

Grants – The Authority receives financial assistance from federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2014.

Commitments – The Authority is obligated to complete modernization phases to renovate various facilities. At December 31, 2014, there were four open phases totaling \$5,279,490 for which the Authority has approved funding from HUD to complete.

Litigation and Claims – In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2014, the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

Supplemental Information

Lucas Metropolitan Housing Authority
Entity Wide Balance Sheet Summary
December 31, 2014

| | | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.181 Supportive Housing for Persons with Disabilities | 14.238 Shelter Plus Care | 1 Business Activities | 14.239 HOME Investment Partnerships Program | 14.256 Neighborhood Stabilization Program (Recovery Act Funded) | 14.856 Lower Income Housing Assistance Program_Section 8 Moderate | COCC | Subtotal | ELIM | Total | |
|--|----------------|---|--------------------------------|------------------------------|---|--------------------------|-----------------------|---|---|---|-------------|---------------|----------------|--------------|----------------|
| 111 Cash - Unrestricted | \$6,441,468 | | \$265,585 | \$90,206 | \$112,166 | \$555 | \$1,500,372 | | | \$65,798 | \$2,288,324 | \$10,764,474 | | \$10,764,474 | |
| 113 Cash - Other Restricted | | | \$524,069 | \$2,626,400 | | | \$1,038,119 | | | | | \$4,188,588 | | \$4,188,588 | |
| 114 Cash - Tenant Security Deposits | \$244,945 | | | \$71,128 | | | | | | | | \$316,073 | | \$316,073 | |
| 115 Cash - Restricted for Payment of Current Liabilities | \$27,305 | | \$164,114 | | | | | | | | | \$191,419 | | \$191,419 | |
| 100 Total Cash | \$6,713,718 | | \$953,768 | \$2,787,734 | \$112,166 | \$555 | \$2,538,491 | \$0 | \$0 | \$65,798 | \$2,288,324 | \$15,460,554 | \$0 | \$15,460,554 | |
| | | | | | | | | | | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | \$224,255 | \$52,129 | | | | | | | | | | \$276,384 | | \$276,384 | |
| 124 Accounts Receivable - Other Government | | | | | | | | \$29,288 | \$41,301 | | | \$70,589 | | \$70,589 | |
| 125 Accounts Receivable - Miscellaneous | | | | | | | \$446,502 | | | | | \$446,502 | -\$95,466 | \$351,036 | |
| 126 Accounts Receivable - Tenants | \$156,654 | | | \$25,119 | | | | | | | | \$181,773 | | \$181,773 | |
| 126.1 Allowance for Doubtful Accounts -Tenants | -\$51,148 | | | -\$12,560 | | | | | | | | -\$63,708 | | -\$63,708 | |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | | \$84,022 | | | | | \$84,022 | | \$84,022 | |
| 128 Fraud Recovery | \$48,817 | | \$43,899 | | | | | | | | | \$92,716 | | \$92,716 | |
| 128.1 Allowance for Doubtful Accounts - Fraud | -\$24,409 | | -\$43,899 | | | | | | | | | -\$68,308 | | -\$68,308 | |
| 129 Accrued Interest Receivable | | | | | | | \$34,683 | | | | | \$34,683 | | \$34,683 | |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$354,169 | \$52,129 | \$0 | \$12,559 | \$0 | \$0 | \$565,207 | \$29,288 | \$41,301 | \$0 | \$0 | \$1,054,653 | -\$95,466 | \$959,187 | |
| | | | | | | | | | | | | | | | |
| 132 Investments - Restricted | \$438,854 | | | \$10,779,826 | | | \$1,525,429 | | | | | \$12,744,109 | | \$12,744,109 | |
| 142 Prepaid Expenses and Other Assets | \$32,826 | | \$25,102 | \$43,653 | | | | | | | | \$125,831 | \$227,412 | -\$16,071 | \$211,341 |
| 144 Inter Program Due From | | | | \$29,288 | | | \$41,301 | | | | | \$52,129 | \$122,718 | -\$122,718 | |
| 145 Assets Held for Sale | | | | \$15,996 | | | | \$41,301 | | | | | \$57,297 | | \$57,297 |
| 150 Total Current Assets | \$7,539,567 | \$52,129 | \$978,870 | \$13,669,056 | \$112,166 | \$555 | \$4,670,428 | \$29,288 | \$82,602 | \$65,798 | \$2,466,284 | \$29,666,743 | -\$234,255 | \$29,432,488 | |
| | | | | | | | | | | | | | | | |
| 161 Land | \$6,614,318 | | | \$1,122,810 | | | \$11,000 | | | | | \$47,320 | \$7,795,448 | | \$7,795,448 |
| 162 Buildings | \$147,293,869 | | | \$19,657,748 | | | \$647,406 | | | | | \$4,562,015 | \$172,161,038 | | \$172,161,038 |
| 163 Furniture, Equipment & Machinery - Dwellings | | | | \$341,496 | | | | | | | | | \$341,496 | | \$341,496 |
| 164 Furniture, Equipment & Machinery - Administration | \$181,637 | | \$48,998 | \$17,783 | | | \$65,958 | | | | | \$1,047,760 | \$1,362,136 | | \$1,362,136 |
| 166 Accumulated Depreciation | -\$120,659,126 | | -\$40,626 | -\$2,802,700 | | | -\$97,657 | | | | | -\$4,583,939 | -\$128,184,048 | | -\$128,184,048 |
| 167 Construction in Progress | \$7,828,656 | | | \$1,794,889 | | | \$923,806 | | | | | | \$10,547,351 | | \$10,547,351 |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$41,259,354 | | \$8,372 | \$20,132,026 | \$0 | \$0 | \$1,550,513 | \$0 | \$0 | \$0 | \$1,073,156 | \$64,023,421 | \$0 | \$64,023,421 | |
| | | | | | | | | | | | | | | | |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | \$6,436,706 | | | | | | \$3,855,459 | \$367,818 | | | | \$10,659,983 | -\$9,981,537 | \$678,446 | |
| 174 Other Assets | | | | | \$1,635,290 | | | | | | | | \$1,635,290 | -\$1,556,250 | \$79,040 |
| 180 Total Non-Current Assets | \$47,696,060 | | \$8,372 | \$21,767,316 | \$0 | \$0 | \$5,405,972 | \$367,818 | \$0 | \$0 | \$1,073,156 | \$76,318,694 | -\$11,537,787 | \$64,780,907 | |
| 290 Total Assets and Deferred Outflow of Resources | \$55,235,627 | \$52,129 | \$987,242 | \$35,436,372 | \$112,166 | \$555 | \$10,076,400 | \$397,106 | \$82,602 | \$65,798 | \$3,539,440 | \$105,985,437 | -\$11,772,042 | \$94,213,395 | |

Lucas Metropolitan Housing Authority
Entity Wide Balance Sheet Summary
December 31, 2014

| | | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.181 Supportive Housing for Persons with Disabilities | 14.238 Shelter Plus Care | 1 Business Activities | 14.239 HOME Investment Partnerships Program | 14.256 Neighborhood Stabilization Program (Recovery Act Funded) | 14.856 Lower Income Housing Assistance Program_Section 8 Moderate | COCC | Subtotal | ELIM | Total | | |
|---|--|---------------|---|--------------------------------|------------------------------|---|--------------------------|-----------------------|---|---|---|-------------|---------------|---------------|---------------|--------------|--------------|
| 312 Accounts Payable <= 90 Days | | \$33,138 | | \$45,262 | \$757,041 | | | | | | | | \$822,050 | \$1,657,491 | | \$1,657,491 | |
| 321 Accrued Wage/Payroll Taxes Payable | | \$72,555 | | | \$28,467 | | | | | | | | \$311,420 | \$412,442 | | \$412,442 | |
| 322 Accrued Compensated Absences - Current Portion | | \$72,268 | | | \$20,028 | | | | | | | | \$70,321 | \$162,617 | | \$162,617 | |
| 325 Accrued Interest Payable | | \$87,675 | | | | \$26,859 | | | | | | | | \$114,534 | -\$14,147 | \$100,387 | |
| 331 Accounts Payable - HUD PHA Programs | | | | | \$2,041 | | | | | | | | | \$2,041 | | \$2,041 | |
| 333 Accounts Payable - Other Government | | \$80,972 | | | | \$245,126 | | | \$10,238 | | | | | \$336,336 | | \$336,336 | |
| 341 Tenant Security Deposits | | \$244,945 | | | | \$71,128 | | | | | | | | \$316,073 | | \$316,073 | |
| 342 Unearned Revenue | | \$29,829 | | | | \$4,280 | | | \$555 | | | | \$24,059 | \$58,723 | -\$16,071 | \$42,652 | |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | | \$325,000 | | | | \$206,817 | | | | | | | | \$531,817 | | \$531,817 | |
| 345 Other Current Liabilities | | \$27,305 | | | \$164,114 | \$95,466 | | | | | | | | \$286,885 | -\$95,466 | \$191,419 | |
| 346 Accrued Liabilities - Other | | \$317,014 | | | | | | | | | | | | \$317,014 | | \$317,014 | |
| 347 Inter Program - Due To | | | | \$52,129 | | | | | | \$29,288 | \$41,301 | | | \$122,718 | -\$122,718 | | |
| 310 Total Current Liabilities | | \$1,290,701 | \$52,129 | \$259,912 | \$1,406,717 | \$0 | \$555 | \$10,238 | \$29,288 | \$41,301 | \$24,059 | \$1,203,791 | \$4,318,691 | -\$248,402 | \$4,070,289 | | |
| | | | | | | | | | | | | | | | | | |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | \$10,000,000 | | | | \$22,855,942 | | | | | | | | \$32,855,942 | -\$9,967,390 | \$22,888,552 | |
| 353 Non-current Liabilities - Other | | \$1,556,250 | | | \$389,217 | \$1,300,000 | | | | | | | | \$3,245,467 | -\$1,556,250 | \$1,689,217 | |
| 354 Accrued Compensated Absences - Non Current | | \$409,513 | | | \$113,492 | | | | | | | | | \$398,483 | \$921,488 | \$921,488 | |
| 350 Total Non-Current Liabilities | | \$11,965,763 | | | \$502,709 | \$24,155,942 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$398,483 | \$37,022,897 | -\$11,523,640 | \$25,499,257 | |
| | | | | | | | | | | | | | | | | | |
| 300 Total Liabilities | | \$13,256,464 | \$52,129 | \$762,621 | \$25,562,659 | \$0 | \$555 | \$10,238 | \$29,288 | \$41,301 | \$24,059 | \$1,602,274 | \$41,341,588 | -\$11,772,042 | \$29,569,546 | | |
| | | | | | | | | | | | | | | | | | |
| 508.4 Net Investment in Capital Assets | | \$30,934,354 | | | \$8,372 | \$5,603,632 | | | \$1,550,513 | | | | | \$1,073,156 | \$39,170,027 | \$9,967,390 | \$49,137,417 |
| 511.4 Restricted Net Position | | \$5,292,755 | | | \$134,852 | \$6,199,585 | | | \$2,563,548 | \$367,818 | | | | | \$14,558,558 | -\$9,967,390 | \$4,591,168 |
| 512.4 Unrestricted Net Position | | \$5,752,054 | | | \$81,397 | -\$1,929,504 | \$112,166 | | \$5,952,101 | | \$41,301 | \$41,739 | \$864,010 | \$10,915,264 | | \$10,915,264 | |
| 513 Total Equity - Net Assets / Position | | \$41,979,163 | | | \$224,621 | \$9,873,713 | \$112,166 | \$0 | \$10,066,162 | \$367,818 | \$41,301 | \$41,739 | \$1,937,166 | \$64,643,849 | \$0 | \$64,643,849 | |
| | | | | | | | | | | | | | | | | | |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | | \$55,235,627 | \$52,129 | \$987,242 | \$35,436,372 | \$112,166 | \$555 | \$10,076,400 | \$397,106 | \$82,602 | \$65,798 | \$3,539,440 | \$105,985,437 | -\$11,772,042 | \$94,213,395 | | |

Lucas Metropolitan Housing Authority
Entity Wide Revenue and Expense Summary
for the year ended December 31, 2014

| | | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.181 Supportive Housing for Persons with Disabilities | 14.238 Shelter Plus Care | 1 Business Activities | 14.239 HOME Investment Partnerships Program | 14.256 Neighborhood Stabilization Program (Recovery Act Funded) | 14.856 Lower Income Housing Assistance Program_Section 8 Moderate | COCC | Subtotal | ELIM | Total | | | |
|---|--|---|--------------------------------|------------------------------|---|--------------------------|-----------------------|---|---|---|-----------|-------------|--------------|--------------|--------------|--------------|-------------|
| 70300 Net Tenant Rental Revenue | | \$4,309,659 | | | \$1,578,585 | | | | | | | | \$5,888,244 | | \$5,888,244 | | |
| 70400 Tenant Revenue - Other | | \$311,568 | | | \$17,770 | | | | | | | | \$329,338 | | \$329,338 | | |
| 70500 Total Tenant Revenue | | \$4,621,227 | \$0 | \$0 | \$1,596,355 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$6,217,582 | \$0 | \$6,217,582 | | | |
| 70600 HUD PHA Operating Grants | | \$13,014,659 | \$246,239 | \$22,332,651 | | \$640,095 | \$97,898 | | | \$236,543 | | | \$36,568,085 | | \$36,568,085 | | |
| 70610 Capital Grants | | \$2,074,091 | | | | | | | | | | | \$2,074,091 | | \$2,074,091 | | |
| 70710 Management Fee | | | | | | | | | | | | | \$2,519,035 | \$2,519,035 | -\$2,519,035 | | |
| 70720 Asset Management Fee | | | | | | | | | | | | | \$328,080 | \$328,080 | -\$328,080 | | |
| 70730 Book Keeping Fee | | | | | | | | | | | | | \$515,858 | \$515,858 | -\$515,858 | | |
| 70740 Front Line Service Fee | | | | | | | | | | | | | \$674,714 | \$674,714 | -\$674,714 | | |
| 70750 Other Fees | | | | | | | | | | | | | | | | | |
| 70700 Total Fee Revenue | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$4,037,687 | \$4,037,687 | -\$4,037,687 | \$0 | | |
| 70800 Other Government Grants | | | | | | | | \$66,616 | \$397,106 | \$41,301 | | | \$505,023 | | \$505,023 | | |
| 71100 Investment Income - Unrestricted | | \$476 | | \$1,733 | \$151 | | | \$773 | | | | | \$18,388 | \$21,521 | \$21,521 | | |
| 71200 Mortgage Interest Income | | \$7,806 | | | | | | \$28,321 | | | | | | \$36,127 | -\$10,977 | \$25,150 | |
| 71400 Fraud Recovery | | | | \$59,415 | | | | | | | | | | \$59,415 | | \$59,415 | |
| 71500 Other Revenue | | \$193,215 | | \$65,717 | \$2,041,906 | | | \$101,671 | | | | | \$124,043 | \$2,526,552 | -\$10,722 | \$2,515,830 | |
| 71600 Gain or Loss on Sale of Capital Assets | | -\$106,576 | | | | | | \$6,716 | | | | | | | -\$99,860 | -\$99,860 | |
| 72000 Investment Income - Restricted | | \$45 | | | | | | \$9,778 | | | | | | \$9,823 | | \$9,823 | |
| 70000 Total Revenue | | \$19,804,943 | \$246,239 | \$22,459,516 | \$3,638,412 | \$640,095 | \$97,898 | \$213,875 | \$397,106 | \$41,301 | \$236,543 | \$4,180,118 | \$51,956,046 | -\$4,059,386 | \$47,896,660 | | |
| 91100 Administrative Salaries | | \$762,359 | | \$962,412 | \$81,777 | \$33,278 | | \$82,323 | | | | | \$10,427 | \$1,952,468 | \$3,885,044 | \$3,885,044 | |
| 91200 Auditing Fees | | \$16,320 | | \$15,271 | \$1,424 | \$539 | | | | | | | \$500 | \$6,713 | \$40,767 | \$40,767 | |
| 91300 Management Fee | | \$1,956,256 | | \$481,337 | \$77,846 | \$16,644 | | | | | | | \$5,215 | | \$2,537,298 | -\$2,519,035 | \$18,263 |
| 91310 Book-keeping Fee | | \$236,079 | | \$267,625 | | \$9,254 | | | | | | | \$2,900 | | \$515,858 | -\$515,858 | |
| 91400 Advertising and Marketing | | \$10,320 | | \$2,154 | \$13,175 | \$74 | | | | | | | \$23 | \$88,065 | \$113,811 | \$113,811 | |
| 91500 Employee Benefit contributions - Administrative | | \$297,305 | | \$366,776 | \$5,814 | \$12,682 | | \$21,843 | | | | | \$3,974 | \$612,115 | \$1,320,509 | \$1,320,509 | |
| 91600 Office Expenses | | \$420,848 | | \$252,406 | \$19,377 | \$8,728 | | \$1,323 | | | | | \$2,735 | \$412,857 | \$1,118,274 | -\$34,281 | \$1,083,993 |
| 91700 Legal Expense | | \$24,863 | | \$108 | \$50,111 | \$4 | | \$15,438 | | | | | \$1 | \$8,160 | \$98,685 | | \$98,685 |
| 91800 Travel | | \$2,598 | | \$5,315 | | \$184 | | \$9,579 | | | | | \$58 | \$38,626 | \$56,360 | | \$56,360 |
| 91900 Other | | \$673,259 | | \$176,103 | \$76,365 | \$5,879 | | \$33,217 | | | | | \$1,841 | \$305,731 | \$1,272,395 | -\$61,539 | \$1,210,856 |
| 91000 Total Operating - Administrative | | \$4,400,207 | \$0 | \$2,529,507 | \$325,889 | \$87,266 | \$0 | \$163,723 | \$0 | \$0 | \$0 | \$27,674 | \$3,424,735 | \$10,959,001 | -\$3,130,713 | \$7,828,288 | |

Lucas Metropolitan Housing Authority
Entity Wide Revenue and Expense Summary
for the year ended December 31, 2014

| | | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.181 Supportive Housing for Persons with Disabilities | 14.238 Shelter Plus Care | 1 Business Activities | 14.239 HOME Investment Partnerships Program | 14.256 Neighborhood Stabilization Program (Recovery Act Funded) | 14.856 Lower Income Housing Assistance Program_Section 8 Moderate | COCC | Subtotal | ELIM | Total | | |
|---|--------------|---|--------------------------------|------------------------------|---|--------------------------|-----------------------|---|---|---|-------------|--------------|--------------|--------------|-------------|---------|
| 92000 Asset Management Fee | \$328,080 | | | | | | | | | | | | \$328,080 | -\$328,080 | | |
| 92100 Tenant Services - Salaries | | \$57,923 | | | | | | | | | | | \$57,923 | | \$57,923 | |
| 92400 Tenant Services - Other | \$388,511 | \$188,316 | | \$500 | | | \$37,638 | | | | | \$729 | \$615,694 | | \$615,694 | |
| 92500 Total Tenant Services | \$388,511 | \$246,239 | \$0 | \$500 | \$0 | \$0 | \$37,638 | \$0 | \$0 | \$0 | \$729 | \$673,617 | \$0 | \$673,617 | | |
| | | | | | | | | | | | | | | | | |
| 93100 Water | \$1,512,829 | | \$4,852 | \$98,711 | \$168 | | \$1,768 | | | | \$53 | \$1,889 | \$1,620,270 | | \$1,620,270 | |
| 93200 Electricity | \$1,210,461 | | \$16,227 | \$45,437 | \$561 | | \$2,935 | | | | \$176 | \$37,975 | \$1,313,772 | | \$1,313,772 | |
| 93300 Gas | \$769,840 | | \$5,693 | \$4,093 | \$197 | | \$5,312 | | | | \$62 | \$39,906 | \$825,103 | | \$825,103 | |
| 93000 Total Utilities | \$3,493,130 | \$0 | \$26,772 | \$148,241 | \$926 | \$0 | \$10,015 | \$0 | \$0 | \$291 | \$79,770 | \$3,759,145 | \$0 | \$3,759,145 | | |
| 94100 Ordinary Maintenance and Operations - Labor | \$1,983,681 | | | \$56,467 | | | | | | | | \$230,406 | \$2,270,554 | | \$2,270,554 | |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$656,936 | | \$5,116 | \$41,535 | \$177 | | \$390 | | | | \$55 | \$126,888 | \$831,097 | | \$831,097 | |
| 94300 Ordinary Maintenance and Operations Contracts | \$4,229,841 | | \$106,190 | \$279,046 | \$2,318 | | \$24,695 | | | | \$725 | \$327,553 | \$4,970,368 | -\$586,937 | \$4,383,431 | |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$678,815 | | | \$21,790 | | | | | | | | \$80,604 | \$781,209 | | \$781,209 | |
| 94000 Total Maintenance | \$7,549,273 | \$0 | \$111,306 | \$398,838 | \$2,495 | \$0 | \$25,085 | \$0 | \$0 | \$780 | \$765,451 | \$8,853,228 | -\$586,937 | \$8,266,291 | | |
| | | | | | | | | | | | | | | | | |
| 95200 Protective Services - Other Contract Costs | \$470,265 | | | \$83 | | | | | | | | | \$470,348 | | \$470,348 | |
| 95300 Protective Services - Other | \$660,726 | | | \$3,276 | | | | | | | | | \$664,002 | | \$664,002 | |
| 95000 Total Protective Services | \$1,130,991 | \$0 | \$0 | \$3,359 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,134,350 | \$0 | \$1,134,350 | | |
| | | | | | | | | | | | | | | | | |
| 96110 Property Insurance | \$304,788 | | \$1,676 | \$47,953 | \$58 | | \$2,352 | | | | \$18 | | \$356,845 | | \$356,845 | |
| 96120 Liability Insurance | \$112,872 | | \$39,567 | \$5,878 | \$1,368 | | \$1,724 | | | | \$429 | | \$161,838 | | \$161,838 | |
| 96130 Workmen's Compensation | \$63,511 | | \$22,217 | \$19 | \$768 | | \$1,936 | | | | \$241 | \$26,072 | \$114,764 | | \$114,764 | |
| 96140 All Other Insurance | \$48,504 | | \$5,269 | | \$182 | | | | | | \$57 | \$18,732 | \$72,744 | | \$72,744 | |
| 96100 Total insurance Premiums | \$529,675 | \$0 | \$68,729 | \$53,850 | \$2,376 | \$0 | \$6,012 | \$0 | \$0 | \$745 | \$44,804 | \$706,191 | \$0 | \$706,191 | | |
| | | | | | | | | | | | | | | | | |
| 96200 Other General Expenses | \$120,112 | | \$43,414 | \$400 | \$9 | | \$5,017 | | | | \$3 | \$13,989 | \$182,944 | | \$182,944 | |
| 96210 Compensated Absences | -\$10,821 | | -\$38,386 | | | | -\$14,465 | | | | | -\$7,986 | -\$71,658 | | -\$71,658 | |
| 96300 Payments in Lieu of Taxes | \$161,744 | | | \$283,498 | | | \$22,366 | | | | | | \$467,608 | | \$467,608 | |
| 96400 Bad debt - Tenant Rents | \$215,932 | | | | | | | | | | | | \$215,932 | | \$215,932 | |
| 96000 Total Other General Expenses | \$486,967 | \$0 | \$5,028 | \$283,898 | \$9 | \$0 | \$12,918 | \$0 | \$0 | \$3 | \$6,003 | \$794,826 | \$0 | \$794,826 | | |
| | | | | | | | | | | | | | | | | |
| 96710 Interest of Mortgage (or Bonds) Payable | \$268,800 | | | \$13,201 | | | | | | | | | \$282,001 | -\$3,171 | \$278,830 | |
| 96720 Interest on Notes Payable (Short and Long Term) | \$0 | | | \$339,763 | | | | | | | | | \$339,763 | -\$7,806 | \$331,957 | |
| 96730 Amortization of Bond Issue Costs | | | | \$5,860 | | | | | | | | | | \$5,860 | | \$5,860 |
| 96700 Total Interest Expense and Amortization Cost | \$268,800 | \$0 | \$0 | \$358,824 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$627,624 | -\$10,977 | \$616,647 | | |
| | | | | | | | | | | | | | | | | |
| 96900 Total Operating Expenses | \$18,575,634 | \$246,239 | \$2,741,342 | \$1,573,399 | \$93,072 | \$0 | \$255,391 | \$0 | \$0 | \$29,493 | \$4,321,492 | \$27,836,062 | -\$4,056,707 | \$23,779,355 | | |
| | | | | | | | | | | | | | | | | |
| 97000 Excess of Operating Revenue over Operating Expenses | \$1,229,309 | \$0 | \$19,718,174 | \$2,065,013 | \$547,023 | \$97,898 | -\$41,516 | \$397,106 | \$41,301 | \$207,050 | -\$141,374 | \$24,119,984 | -\$2,679 | \$24,117,305 | | |

Lucas Metropolitan Housing Authority
Entity Wide Revenue and Expense Summary
for the year ended December 31, 2014

| | Project Total | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.181 Supportive Housing for Persons with Disabilities | 14.238 Shelter Plus Care | 1 Business Activities | 14.239 HOME Investment Partnerships Program | 14.256 Neighborhood Stabilization Program (Recovery Act Funded) | 14.856 Lower Income Housing Assistance Program_Section 8 Moderate | COCC | Subtotal | ELIM | Total | |
|--|---------------|---|--------------------------------|------------------------------|---|--------------------------|-----------------------|---|---|---|-------------|--------------|--------------|--------------|-------------|
| 97100 Extraordinary Maintenance | \$39,674 | | | | \$67,970 | | | | | | | \$12,625 | \$120,269 | \$120,269 | |
| 97200 Casualty Losses - Non-capitalized | \$2,399 | | | | \$886 | | | | | | | \$10 | \$3,326 | \$3,326 | |
| 97300 Housing Assistance Payments | | | | | \$21,534,220 | | | \$521,209 | \$97,898 | | | \$199,341 | \$22,352,668 | \$22,352,668 | |
| 97400 Depreciation Expense | \$3,710,422 | | | | \$3,690 | \$637,917 | | | | | | \$240,290 | \$4,637,865 | \$4,637,865 | |
| 97800 Dwelling Units Rent Expense | | | | | | \$2,679 | | | | | | | \$2,679 | -\$2,679 | |
| 90000 Total Expenses | \$22,328,129 | \$246,239 | \$24,280,138 | \$2,281,965 | \$614,312 | \$97,898 | \$300,937 | \$0 | \$0 | \$228,844 | \$4,574,407 | \$54,952,869 | -\$4,059,386 | \$50,893,483 | |
| 10010 Operating Transfer In | \$833,558 | | | | | \$29,288 | | | | | | \$0 | \$862,846 | -\$862,846 | |
| 10020 Operating transfer Out | -\$833,558 | | | | | | | | -\$29,288 | | | \$0 | -\$862,846 | \$862,846 | |
| 10030 Operating Transfers from/to Primary Government | -\$5,315,000 | | | | | | | | | | | \$0 | -\$5,315,000 | \$5,315,000 | |
| 10040 Operating Transfers from/to Component Unit | | | | | | \$5,315,000 | | | | | | \$0 | \$5,315,000 | -\$5,315,000 | |
| 10091 Inter Project Excess Cash Transfer In | \$1,676,350 | | | | | | | | | | | \$0 | \$1,676,350 | -\$1,676,350 | |
| 10092 Inter Project Excess Cash Transfer Out | -\$1,676,350 | | | | | | | | | | | \$0 | -\$1,676,350 | \$1,676,350 | |
| 10100 Total Other financing Sources (Uses) | -\$5,315,000 | \$0 | \$0 | \$5,344,288 | \$0 | \$0 | \$0 | -\$29,288 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$7,838,186 | \$0 | -\$1,820,622 | \$6,700,735 | \$25,783 | \$0 | -\$87,062 | \$367,818 | \$41,301 | \$7,699 | -\$394,289 | -\$2,996,823 | \$0 | -\$2,996,823 | |
| 11020 Required Annual Debt Principal Payments | \$165,000 | \$0 | \$0 | \$2,320,100 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,485,100 | | \$2,485,100 | |
| 11030 Beginning Equity | \$49,817,349 | \$0 | \$2,045,243 | \$3,172,978 | \$86,383 | \$0 | \$10,153,224 | \$0 | \$0 | \$34,040 | \$2,331,455 | \$67,640,672 | | \$67,640,672 | |
| 11170 Administrative Fee Equity | | | | | \$89,769 | | | | | | | \$0 | \$89,769 | | \$89,769 |
| 11180 Housing Assistance Payments Equity | | | | | \$134,852 | | | | | | | \$0 | \$134,852 | | \$134,852 |
| 11190 Unit Months Available | 31925 | | | 52056 | 3404 | 1800 | 300 | | | | | 564 | 90049 | | 90049 |
| 11210 Number of Unit Months Leased | 30867 | | | 47690 | 3310 | 1619 | 300 | | | | | 564 | 84350 | | 84350 |
| 11270 Excess Cash | \$4,356,705 | | | | | | | | | | | \$0 | \$4,356,705 | | \$4,356,705 |
| 11620 Building Purchases | \$1,909,091 | | | | | | | | | | | \$0 | \$1,909,091 | | \$1,909,091 |
| 13510 CFFP Debt Service Payments | \$439,300 | | | | | | | | | | | \$0 | \$439,300 | | \$439,300 |

Lucas Metropolitan Housing Authority
Statement and Certification of Actual Modernization Cost
through December 31, 2014

Capital Fund Program Number OH12P006501-10

1. The Program Costs are as follows:

| | |
|---------------------------------------|--------------------|
| Funds Approved | \$ 4,978,893 |
| Funds Expended | <u>4,978,893</u> |
| Excess (Deficiency) of Funds Approved | <u><u>\$ -</u></u> |

| | |
|---------------------------------------|--------------------|
| Funds Advanced | \$ 4,978,893 |
| Funds Expended | <u>4,978,893</u> |
| Excess (Deficiency) of Funds Approved | <u><u>\$ -</u></u> |

2. All costs have been paid and there are no outstanding obligations.
3. The Actual Modernization Cost Certificate (HUD 53001) was signed and filed on June 8, 2015.
4. The final costs on the certification agree to the Authority's records.

LUCAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Federal Expenditures |
|---|--------------------|-----------------------------|
| U. S. Department of Housing and Urban Development | | |
| <i>Direct Programs:</i> | | |
| Public and Indian Housing | 14.850 | \$ 10,774,768 |
| Housing Choice Voucher Cluster: | | |
| Section 8 Housing Choice Voucher Program | 14.871 | 22,332,651 |
| Total Housing Coice Voucher Cluster | | <u>22,332,651</u> |
| Supportive Housing for Persons with Disabilities | 14.181 | 640,095 |
| Section 8 Project-Based Cluster | | |
| Lower Income Housing Assistance Program Section 8 | | |
| Moderate Rehabilitation | 14.856 | 236,543 |
| Total Section 8 Project-based Cluster | | <u>236,543</u> |
| Capital Fund Program Cluster: | | |
| Public Housing Capital Fund | 14.872 | 4,313,982 |
| Total Capital Fund Program Cluster | | <u>4,313,982</u> |
| Shelter Plus Care | 14.238 | 97,898 |
| Resident Opportunity and Supportive Services - Service Coordinators | 14.870 | <u>246,239</u> |
| Total Direct Programs | | 38,642,176 |
| <i>Programs Passed through the City of Toledo:</i> | | |
| Home Investment Partnerships Program | 14.239 | 397,106 |
| Neighborhood Stabilization Program (Recovery Act Funded) | 14.256 | <u>41,301</u> |
| Total Passed Through Programs | | <u>438,407</u> |
| Total Expenditures of Federal Awards | | <u>\$ 39,080,583</u> |

See accompanying notes to schedule.

**LUCAS METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Basis of Presentation

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

2. Public Housing Capital Funds (CFDA Number 14.872)

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

| | |
|----------------|--------------------|
| OH12P006501-10 | \$ 192,596 |
| OH12P006501-11 | 308,533 |
| OH12P006501-12 | 666,436 |
| OH12P006501-13 | 2,942,177 |
| OH12P006501-14 | <u>204,240</u> |
| Total | <u>\$4,313,982</u> |

3. Programs Passed Through the City of Toledo (CFDA 14.239 and 14.256)

The Home Investment Partnerships Program funds (CFDA 14.239) were provided to the Authority as part of the financing arrangement for the Parqwood Apartments project and for a rehabilitation project administered by the Lucas Housing Services Corporation.

The Neighborhood Stabilization Program funds (CFDA 14.256) were provided to the Authority as part of a acquisition and rehabilitation project at 395 Woodland.

Both grants were provided by the City of Toledo, Department of Neighborhoods as pass-through awards of funds received from HUD. The grant documents do not provide a pass through entity identification number.

Bastin & Company, LLC

Certified Public Accountants

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

Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43697

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lucas Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2015.

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.

Bastin & Company, LLC

Cincinnati, Ohio
June 12, 2015

Bastin & Company, LLC
Certified Public Accountants

**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**

Lucas Metropolitan Housing Authority
435 Nebraska Avenue
Toledo, Ohio 43697

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Lucas Metropolitan Housing Authority'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 Lucas Metropolitan Housing Authority's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Lucas 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 December 31, 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 over 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.

Bastin & Company, LLC

Cincinnati, Ohio
June 12, 2015

**LUCAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2014**

| |
|-------------------------------------|
| SUMMARY OF AUDITOR'S RESULTS |
|-------------------------------------|

| | |
|--|--|
| Type of financial statement opinion | Unmodified |
| Were there any material control weaknesses reported at the financial statement level? | No |
| Were there any other significant deficiencies in internal control reported at the financial statement level? | No |
| Was there any reported material noncompliance reported at the financial statement level? | No |
| Were there any material internal control weakness reported for major federal programs? | No |
| Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| Type of major programs' compliance opinion | Unmodified |
| Are there any reportable findings? | No |
| Major programs: | Section 8 Housing Choice Voucher Program CFDA 14.871 |
| | Neighborhood Stabilization Program CFDA 14.256 |
| Dollar threshold to distinguish between Type A/B programs: | Type A: >\$1,172,417 Type B: all others |
| Low risk auditee? | Yes |

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

None

| |
|---|
| FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|---|

None

**LUCAS METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

There were no findings in the prior year audit report.

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Dave Yost • Auditor of State

LUCAS METROPOLITAN HOUSING AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
AUGUST 4, 2015