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Certified Public Accountants, A.C.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
Single Audit
For the Year Ended June 30, 2015**

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...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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Members: American Institute of Certified Public Accountants

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lake County Metropolitan Housing Authority, Lake County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 3, 2016

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**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FOR THE YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

February 19, 2016

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lake Metropolitan Housing Authority**, Lake County, Ohio (the Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Metropolitan Housing Authority, Lake County, as of June 30, 2015 and the changes in its financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Financial Data Schedules presented on pages 32-35 present additional analysis as required by the United States 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 schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

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

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. Please read it in conjunction with the Authority's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- During FY 2015, the Authority's net position decreased by \$830,597 (or 12%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$6,893,046 and \$7,723,643 for FY 2015 and FY 2014 (restated), respectively.
- Total revenue decreased by \$2,564,432 (or 20.38%) during FY 2015. The majority of the decrease was a combination of lower Housing Assistance Payments (HAP) received by the agency due to lower overall lease rates combined with HUD's cash management policy offsets, and the lack of any other federal grant revenue compared to the previous year. These two items account for over 90% of the revenue decrease. Total revenues were \$10,017,488 and \$12,581,920 for FY 2015 and FY 2014 respectively.
- The total expenses of the Authority decreased by \$623,801 (or 5.36%). Most of the decrease was due to the decreased number of leased units in our Housing Choice Voucher Program along with changes to the payment standard being used to pay landlords on that program. Overall savings in most of the administrative categories were offset by unexpected building maintenance costs, mostly attributable to the Parkview Place project. Total expenses were \$10,848,085 and \$11,471,886 for FY 2015 and FY 2014 respectively.

Authority Financial Statements

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

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

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

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

Authority Financial Statements (Continued)

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

During 2015, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which significantly revises accounting for pension costs and liabilities, most notably employers are now required to report a net pension liability or asset, along with deferred outflows and inflows. Many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

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

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. This implementation also had the effect of restating net position at June 30, 2014, from \$8,360,334 to \$7,723,643.

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

Fund Financial Statements

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

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

The Authority's Programs

Public Housing Program: Under the conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program: Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the tenant family's rent through a Housing Assistance Payment made to the landlord. This was formerly known as Section 8. The program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

ParkView Place: Purchased in 2012 the renovation of two apartment buildings in Willoughby (formerly known as River Isle), began in April 2013 and was completed in November 2014. It consists of forty total units, twenty-five that were formerly reported as **Other Federal Programs 1** and were funded primarily by a HUD grant that was originally intended to build 25 single-family Public Housing units in Lake County. Upon completion, these units were transferred to Public Housing and are now funded under the ACC, eligible to receive Operating Subsidy and Capital Funds. The remaining fifteen units are reported as **Other Federal Programs 2**. These 15 units are being funded and operated from sources "other than public housing funds" which include, but are not limited to, **State and Local** program funds.

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

Statement of Net Position

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

TABLE 1

STATEMENT OF NET POSITION

	<u>6/30/2015</u>	<u>6/30/2014</u>
Current and Other Assets	\$ 1,370,344	\$ 1,994,189
Capital Assets	<u>6,870,625</u>	<u>7,278,008</u>
Total Assets:	<u>8,240,969</u>	<u>9,272,197</u>
Deferred Outflows of Resources*	80,462	45,790
Current Liabilities	\$ 600,706	\$ 781,121
Non-Current Liabilities	119,244	130,742
Net Pension Liability*	694,597	682,481
Total Liabilities:	<u>1,414,547</u>	<u>1,594,344</u>
Deferred Inflows of Resources*	13,838	-

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

Net Position:

Net Investment In Capital Assets	\$ 6,870,625	\$ 7,278,008
Restricted	64,607	334,389
Unrestricted*	<u>(42,186)</u>	<u>111,246</u>
Total Net Position:	<u>\$ 6,893,046</u>	<u>\$ 7,723,643</u>

*2014 numbers shown as restated to account for implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For more detailed information see page 12 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Total assets decreased by \$1,031,228 or 11% and total liabilities were decreased by \$502,684 or 55%. Current assets are used to extinguish liabilities. The previously mentioned ParkView Place project was the major factor that affected total net position and the overall distribution of them by category. The majority of the rehabilitation efforts of that project were completed in Fiscal Year 2014. The overall decrease in total net position was a result of the implementation of GASB 68, which required restatement of accounts and reporting a large net pension liability, and for this reason, unrestricted net position for 2015 is negative. For more detail see Tables 2, 5 and 6.

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

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/14, Restated		\$ 111,246
Results of Operations	\$ (830,597)	
Adjustments:		
Depreciation (1)	559,503	
Change in Restricted Net Position	<u>269,782</u>	
Adjusted Results from Operations		(1,313)
Capital Expenditures		<u>(152,120)</u>
Unrestricted Net Position 6/30/15		<u>\$ (42,186)</u>

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

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

LAKE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED**

However, the implementation of GASB 68 required beginning net position to be restated by \$636,691, which is why unrestricted net position is showing a negative balance at the end of the fiscal year.

Table 3 reflects the annual changes of restricted net position balance in Fiscal Year 2015. These funds can only be used for Housing Assistance Payments (HAP) in the Housing Choice Voucher program.

TABLE 3

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position - 6/30/2014	\$	334,389
HAP Revenue less Expense	\$	(303,308)
Fraud Revenue Collection		10,344
FSS Forfeitures		<u>23,182</u>
Change in Restricted Net Position		<u>(269,782)</u>
Restricted Net Position - 6/30/2015	\$	<u>64,607</u>

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

TABLE 4

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	FY 2015	FY 2014
Revenue:		
HUD Operating Subsidies and Grants	\$ 9,205,796	\$ 10,094,141
Tenant Revenue	740,823	655,609
Capital Grant	24,300	420,885
Other Government Grants	500	1,344,820
Investment Income	592	2,562
Other Revenue	<u>45,477</u>	<u>63,903</u>
Total Revenue	\$ 10,017,488	\$ 12,581,920
Expenses:		
Housing Assistance Payments	\$ 7,962,395	\$ 8,699,641
Administrative Expense	1,189,002	1,299,676
Tenant Services	-	-
Utilities	267,677	265,690
Maintenance	656,358	491,667
Protective Services	6,283	7,473

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

General Expenses	171,682	159,422
Extraordinary Maintenance	35,185	24,047
Depreciation Expense	<u>559,503</u>	<u>524,270</u>
Total Expenses	\$ 10,848,085	\$ 11,471,886
Net Increase (Decrease)	<u>\$ (830,597)</u>	<u>\$ 1,110,034</u>
Net Position, Beginning of Year	7,723,643	N/A
Net Position, End of Year	6,893,046	7,723,643

The information necessary to restate the beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of \$88,476 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$79,758. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 10,848,085
Pension expense under GASB 68	(79,758)
2015 contractually required contribution	<u>88,476</u>
Adjusted 2015 program expenses	10,856,803
Total 2014 program expense under GASB 27	<u>11,471,886</u>
Decrease in program expenses not related to pension	<u>\$ (615,083)</u>

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

There was a significant overall decrease in net position as opposed to last year. The major factors that contributed to this were a net deficit in Housing Assistance Payments (HAP) due to reduced HUD subsidies, unanticipated major repairs at the Parkview Place project and poor lease revenue at the same due to the delayed completion of the renovation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/15 the Authority had \$6,870,625 in capital assets as reflected in the following schedule, which represents a net decrease of \$407,383 over last fiscal year end.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

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

	6/30/2015		6/30/2014
Land and Land Rights	\$ 1,063,845	\$	1,063,845
Building & Improvements	13,647,666		10,289,056
Equipment - Dwelling	63,017		63,017
Equipment - Administrative	542,703		542,244
Construction in Progress	-		3,227,644
Accumulated Depreciation	<u>(8,450,606)</u>		<u>(7,907,798)</u>
Total	<u>\$ 6,870,625</u>		<u>\$ 7,278,008</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 21 of the notes.

TABLE 6
CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance, July 1, 2014	\$ 7,278,008
Additions	168,815
Deletions	(16,695)
Depreciation	<u>(559,503)</u>
Ending Balance, June 30, 2015	<u>\$ 6,870,625</u>

The majority of the decrease in Capital Assets is due to depreciation expense. The majority of the additions related to the completion of the Parkview Place project.

Debt Outstanding

As of 6/30/15 the Authority had no outstanding debt.

ECONOMIC FACTORS

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
UNAUDITED

Financial Contact

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

Assets

Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 1,099,536
Cash and Cash Equivalents - Restricted	199,161
Receivables, Net	35,633
Prepaid Expenses	36,014
Total Current Assets	<u>1,370,344</u>

Noncurrent Assets:	
Capital Assets:	
Land	1,063,845
Building and Equipment	14,257,386
Less: Accumulated Depreciation	<u>(8,450,606)</u>
Total Noncurrent Assets	<u>6,870,625</u>

Total Assets	<u>8,240,969</u>
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Deferred Outflows of Resources

Net difference between projected and actual investment earnings on pension plan investments	37,641
Employer contributions to pension plan subsequent to measurement date	42,821
Total Deferred Outflows of Resources	<u>80,462</u>

Total Assets and Deferred Outflows of Resources	<u>\$ 8,321,431</u>
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Liabilities

Current Liabilities:	
Accounts Payable	\$ 73,880
Accrued Liabilities	447,096
Accrued Compensated Absences	12,088
Tenant Security Deposits	63,662
Unearned Revenues	3,980
Total Current Liabilities	<u>600,706</u>

Long Term Liabilities:	
Accrued Compensated Absences	48,352
Other Long Term Liabilities	70,892
Net Pension Liability	694,597
Total Long Term Liabilities	<u>813,841</u>

Total Liabilities	<u>1,414,547</u>
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Deferred Inflows of Resources

Differences between expected and actual experience	13,838
Total Deferred Inflows of Resources	<u>13,838</u>

Net Position:

Net Investment In Capital Assets	6,870,625
Restricted	64,607
Unrestricted	<u>(42,186)</u>

Total Net Position	<u>6,893,046</u>
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Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 8,321,431</u>
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See accompanying notes to the basic financial statements.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Operating Revenues:	
Tenant Revenue	\$ 740,823
Government Operating Grants	9,230,096
Other Grants	500
Other Revenue	41,421
Total Operating Revenues	<u>10,012,840</u>
Operating Expenses:	
Administrative	1,189,002
Utilities	267,677
Maintenance	691,543
Insurance	81,823
General	89,859
Protective Services	6,283
Housing Assistance Payments	7,962,395
Depreciation	559,503
Total Operating Expenses	<u>10,848,085</u>
Operating Income	(835,245)
Other Non-Operating Revenues:	
Investment Income - Unrestricted	592
Gain on Sale of Capital Assets	4,056
Total Other Non-Operating Revenues	<u>4,648</u>
Change in Net Position	(830,597)
Net Position, Beginning of the Year, Restated (See Note 2)	<u>7,723,643</u>
Net Position, End of Year	<u><u>\$ 6,893,046</u></u>

See accompanying notes to the basic financial statements.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Operating Grants	\$ 9,222,094
Cash Received from Tenants	738,919
Cash Received from Other Income	41,421
Cash Payments for Housing Assistance Payments	(7,962,395)
Cash Payments for General and Administrative Expenses Paid	(2,513,517)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(473,478)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Earned	592
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	592
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Assets Sold	4,056
Capital Assets Purchased	(164,894)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(156,782)
Net Increase (Decrease) in Cash and Cash Equivalents	(629,668)
Cash and Cash Equivalents at Beginning of Year	1,928,365
Cash and Cash Equivalents at End of Year	\$ 1,298,697
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (835,245)
Adjustments:	
Depreciation	559,503
(Increase) Decrease in :	
Receivables, Net	(15,311)
Prepaid Expenses	9,488
Increase (Decrease) in:	
Accounts Payable	(549,764)
Accrued Liabilities	365,518
Intergovernmental Payable	(12,482)
Tenant Security Deposits	13,407
Unearned Revenue	3,980
Accrued Compensated Absences	(5,368)
Other Long Term Liabilities	(7,204)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (473,478)

See accompanying notes to the basic financial statements.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Lake Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The Authority depends on the subsidies from HUD to operate.

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

Basis of Presentation

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

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

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

The enterprise fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

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

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Adoption of Accounting Pronouncement

The Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. The objective of these statements is to improve decision-usefulness of information in employer entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosure and required supplementary information.

Description of Programs

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

Public Housing Program

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

Capital Fund Program

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

Housing Choice Voucher Program

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

Parkview Place

Parkview Place (formerly River Isle) is a 40 unit apartment complex in Willoughby, Ohio which was purchased and renovated for the purpose of providing 25 additional Public Housing units and 15 other affordable housing units to Lake County. This project was completed during Fiscal Year 2015. The 25 Public Housing units were formerly reported as Other Federal Programs 1, but were combined with the agency's other Public Housing units during the fiscal year after project completion and approval from HUD.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Federal Programs 2

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

State and Local

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

Budgetary Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

Capital Assets

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

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

Total depreciation expense for the 2015 fiscal year was \$559,503.

Capitalization of Interest

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

The following is a summary of changes in compensated absence for the fiscal year ending June 30, 2015:

Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015	Due Within One Year
\$ 65,808	\$ 61,119	\$ 66,487	\$ 60,440	\$ 12,088

Prepaid Items

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

Operating Revenues and Expenses

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

Accounts Receivable

Management considers all accounts receivable to be collectable.

Accrued Interest Receivable

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year-end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted Net Positions are available, the Authority first applies restricted net position. Net Position restricted by HUD was \$64,607.

Income Taxes

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Ohio Public Employee Retirement System (OPERS), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred Inflows

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

NOTE 2 – PRIOR PERIOD RESTATEMENT

The following restatement was performed to net position at the beginning of the year due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*:

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 – PRIOR PERIOD RESTATEMENT (Continued)

	Governmental Activities
Net position, as previously stated:	\$ 8,360,334
Add:	
Deferred outflows of resources-employer contributions made subsequent to measurement date	45,790
Deduct:	
Net pension liability	(682,481)
Net position, restated	\$ 7,723,643

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

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

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

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

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

At year-end, the carrying amount of the Authority's deposits was \$1,298,697 (including \$1,725 of petty cash) and the bank balance was \$1,317,799.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. The financial institution collateral pool that insures public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$750,000 were covered by Federal Depository and \$567,799 was covered by the collateral pool.

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The Authority had only demand deposits at June 30, 2015, therefore is not subject to interest rate, credit concentration, or custodial credit risk.

NOTE 4 – RESTRICTED CASH

Restricted cash balance as of June 30, 2015 of \$199,161 represents the following:

Unspent funding provided by HUD to make Housing Assistance Payments in the Housing Choice Voucher Program:	\$64,607
Family Self-Sufficiency Escrows :	70,892
Tenant Security Deposits:	<u>63,662</u>
Total:	<u>\$199,161</u>

NOTE 5 – CAPITAL ASSETS

A summary of capital assets at June 30, 2015 is as follows:

	<u>Balance 6/30/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2015</u>
Capital Assets Not Depreciated				
Land	\$ 1,063,845	\$ -	\$ -	\$ 1,063,845
Construction-In-Progress	3,227,644	-	(3,227,644)	-
Total Capital Assets Not Depreciated	<u>4,291,489</u>	<u>-</u>	<u>(3,227,644)</u>	<u>1,063,845</u>
Capital Assets Depreciated				
Buildings and Improvements	10,289,056	3,358,610	-	13,647,666
Furniture, Equipment and Machinery	605,261	21,154	(16,695)	609,720
Total Capital Assets Depreciated	<u>10,894,317</u>	<u>3,379,764</u>	<u>(16,695)</u>	<u>14,257,386</u>
Accumulated Depreciation				
Buildings and Improvements	(7,541,736)	(496,275)	-	(8,038,011)
Furniture, Equipment and Machinery	<u>(366,062)</u>	<u>(63,229)</u>	<u>16,695</u>	<u>(412,596)</u>
Total Accumulated Depreciation	<u>(7,907,798)</u>	<u>(559,504)</u>	<u>16,695</u>	<u>(8,450,607)</u>
Total Capital Assets Depreciated, Net	<u>2,986,519</u>	<u>2,820,260</u>	<u>-</u>	<u>5,806,779</u>
Total Capital Assets, Net	<u>\$ 7,278,008</u>	<u>\$ 2,820,260</u>	<u>\$ (3,227,644)</u>	<u>\$ 6,870,624</u>

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377, or by using the OPERS website at www.opers.org.

For the year ended June 30, 2015, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2015 was 14.0 percent of covered payroll—12.0 percent was used to fund pension contributions.

The Authority's required contributions for pension obligations to the traditional and combined plan for the year ended June 30, 2015 was \$88,154. Required contributions to the member-directed plan were \$12,784 for the year ended June 30, 2015. All required payments of contributions have been made through June 30, 2015.

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

The net pension liabilities were measured as of December 31, 2014, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liabilities was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At fiscal year-end, the Authority reported the following liabilities for its proportionate share of the net pension liabilities:

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

	OPERS
Amount for proportionate share of net pension liability (asset) - Traditional Plan	\$ 699,665
Percentage for proportionate share of net pension liability (asset) - Traditional Plan	0.005801%
Amount for proportionate share of net pension liability (asset) - Combined Plan	\$ (5,068)
Percentage for proportionate share of net pension liability (asset) - Combined Plan	0.013162%

For the year ended June 30, 2015, the Authority recognized pension expense of \$79,758. The Authority also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 13,838
Net difference between projected and actual investment earnings on pension plan investments	37,641	-
Contributions subsequent to measurement date	42,821	-
Totals	\$ 80,462	\$ 13,838

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

Year Ended June 30:

	2016	\$	3,025
	2017		3,025
	2018		8,342
	2019		9,411
Total		\$	23,803

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are below:

Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2014
Experience Study	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Wage Inflation	3.75%
Projected Salary Increases	4.25% - 10.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability or asset calculated using the discount rate of 8.0%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

<u>Net Pension Liability (Asset)</u>	<u>1% Decrease 7.0%</u>	<u>Current Discount Rate 8.0%</u>	<u>1% Increase 9.0%</u>
Traditional Plan	\$ 1,287,184	\$ 699,665	\$ 204,833
Combined Plan	\$ 658	\$ (5,068)	\$ (9,608)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long- Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00%</u>	<u>5.28%</u>

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (OPERS) (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 6.95%.

Detailed information about the pension plan fiduciary net position is available in a separately issued report at the Ohio Public Employees Retirement System website at www.opers.org. That information can also be obtained by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

NOTE 7 - POST-EMPLOYMENT BENEFITS

A. Plan Description

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

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit, with an effective retired date of December 1, 2014. With recent changes to the plan, members with an effective retirement date after December 1, 2014 must have 20 years of qualifying service and be at least age 60 to receive benefits. Members retiring at any age with 30 or more years of qualifying service are eligible for coverage. 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.

In 2014, OPERS established the 115 Health Care Trust (115 Trust) under Section 115 of the Internal Revenue Code. This trust will provide health care in much the same manner as the 401(h) health care fund and similarly, will be for the benefit of members of the Traditional Pension and Combined plans. On January 1, 2016, OPERS will launch the OPERS Medicare Connector (Connector), a program whereby eligible enrolled retirees over the age of 65 may have an allowance deposited to a health reimbursement account (HRA) to apply toward the health care program of their choice selected with the assistance of an OPERS vendor. As OPERS prepares to change the manner of funding health care for Medicare-eligible retirees, OPERS needed a vehicle that could accommodate such reimbursement mechanisms as the HRA. Employer contributions to this trust began in September 2014, with the initial health care disbursements from this trust to commence with January 2016 premiums. OPERS will use both the 401(h) and the 115 Trust to fund health care expenses.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 7 - POST-EMPLOYMENT BENEFITS (Continued)

A. Plan Description (Continued)

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

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. Plan changes can be seen in OPERS stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (800) 222-7377.

B. 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 postretirement health care benefits.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The employer contributions allocated to health care was raised to 2.00 percent for both plans for calendar year 2014 as recommended by the OPERS Actuary. Effective January 1, 2015, the portion of the employer contributions allocated to healthcare remains at 2.00 percent for both plans, as recommended by the OPERS Actuary. While this 401(h) health care plan will continue to be used to fund health care expenses, employer contributions to this plan ceased in September 2014 upon the establishment of the 115 Health Care Trust.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, the Authority contributed at a rate of 14.00 percent of covered payroll, 2.00 percent was used to fund health care for the Traditional and Combined Plans, and 4.50 percent was used to fund the VEBA for the Member-Directed Plan. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended June 30, 2015, 2014, and 2013, which were used to fund post-employment benefits were \$16,761, \$17,187, and \$17,331, respectively.

NOTE 8 – RISK MANAGEMENT

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

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 9 – LONG-TERM LIABILITIES

Changes in other long-term obligations of the Authority during the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net Pension Liability	\$ 682,481	\$ 12,116	\$ -	\$ 694,597	\$ -
Total	<u>\$ 682,481</u>	<u>\$ 12,116</u>	<u>\$ -</u>	<u>\$ 694,597</u>	<u>\$ -</u>

NOTE 10 – CONTINGENT LIABILITIES

Litigations and Claims

In the normal course of operations the MHA may be subject to litigation and claims. At June 30, 2015 the MHA was involved in three such matters. While the outcome of these matters cannot presently be determined, management believes that the ultimate resolution will not have a material effect on the financial statements.

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recapture amounts would not have a material adverse effect on the overall financial position at June 30, 2015.

NOTE 11 – SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through February 19, 2016, the date on which the financial statements were available to be issued, and is not aware of any matter to disclose or to consider disclosing concerning such an event.

NOTE 12 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2015, the Authority electronically submitted an unaudited version of the statement of net position, statement of revenues, expenses and changes in net position and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by HUD.

NOTE 13 – INTER-PROGRAM RECEIVABLES/PAYABLES

Inter-program balance at June 30, 2015, consists of the following receivables and payables:

	<u>Due From</u>	<u>Due To</u>
Public Housing	\$ 12,149	\$ 16,491
Housing Choice Voucher	16,491	-
Other Federal Program 2	-	6,281
State and Local	-	5,868
	<u>\$ 28,640</u>	<u>\$ 28,640</u>

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 13 – INTER-PROGRAM RECEIVABLES/PAYABLES (Continued)

All Authority vendor expenses are paid through one cash account for control purposes. The majority of inter-program Due from/Due to amounts is a result of timing differences between the accrual of expense and actual payment between federal program expenses. These amounts are usually immaterial and are reconciled on a monthly basis. These balances are eliminated for the Statement of Net Position on page 12.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2015

Ohio Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.005801%	0.005801%
Authority's proportion of the net pension liability (asset) (percentage) - Combined Plan	0.013162%	0.013162%
Authority's proportionate share of the net pension liability (asset) - Traditional Plan	\$ 699,665	\$ 683,862
Authority's proportionate share of the net pension liability (asset) - Combined Plan	\$ (5,068)	\$ (1,381)
Authority's covered-employee payroll	\$ 759,350	\$ 757,911
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	91.47%	90.05%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	86.45%	86.36%
Plan fiduciary net position as a percentage of the total pension liability (Combined Plan)	114.83%	104.56%

Information prior to fiscal year 2014 is not available.

*The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
June 30, 2015

Ohio Public Employees Retirement System
 Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 88,154	\$ 108,414	\$ 99,535	\$ 98,014	\$ 97,154	\$ 78,830	\$ 63,693	\$ 62,163	\$ 70,129	\$ 61,820
Contributions in relation to contractually required contribution	<u>(88,154)</u>	<u>(108,414)</u>	<u>(99,535)</u>	<u>(98,014)</u>	<u>(97,154)</u>	<u>(78,830)</u>	<u>(63,693)</u>	<u>(62,163)</u>	<u>(70,129)</u>	<u>(61,820)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 734,617	\$ 867,804	\$ 866,924	\$ 980,136	\$ 1,021,652	\$ 911,145	\$ 868,007	\$ 836,320	\$ 777,486	\$ 659,790
Contributions as a percentage of covered-employee payroll	12.00%	12.49%	11.48%	10.00%	9.51%	8.65%	7.34%	7.43%	9.02%	9.37%

Calculated contribution rates above sometimes differ from published OPERS rates due to rate changes during the Authority's fiscal year (OPERS rates are effective based on a calendar year).

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$747,207	\$85,844		\$5,597	\$260,888	\$1,099,536		\$1,099,536
113 Cash - Other Restricted		\$135,499				\$135,499		\$135,499
114 Cash - Tenant Security Deposits	\$61,547			\$2,115		\$63,662		\$63,662
100 Total Cash	\$808,754	\$221,343	\$0	\$7,712	\$260,888	\$1,298,697	\$0	\$1,298,697
122 Accounts Receivable - HUD Other Projects	\$26,773					\$26,773		\$26,773
125 Accounts Receivable - Miscellaneous		\$317				\$317		\$317
126 Accounts Receivable - Tenants	\$8,708	\$12,554		\$835		\$22,097		\$22,097
126.1 Allowance for Doubtful Accounts - Tenants	(\$1,000)	\$0		\$0		(\$1,000)		(\$1,000)
126.2 Allowance for Doubtful Accounts - Other	\$0	(\$12,554)			\$0	(\$12,554)		(\$12,554)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$34,481	\$317	\$0	\$835	\$0	\$35,633	\$0	\$35,633
142 Prepaid Expenses and Other Assets	\$35,684	\$330				\$36,014		\$36,014
144 Inter Program Due From	\$16,491			\$6,282	\$5,867	\$28,640	(\$28,640)	\$0
150 Total Current Assets	\$895,410	\$221,990	\$0	\$14,829	\$266,755	\$1,398,984	(\$28,640)	\$1,370,344
161 Land	\$936,993			\$126,852		\$1,063,845		\$1,063,845
162 Buildings	\$11,897,367	\$21,652		\$1,728,647		\$13,647,666		\$13,647,666
163 Furniture, Equipment & Machinery - Dwellings	\$63,017					\$63,017		\$63,017
164 Furniture, Equipment & Machinery - Administration	\$445,681	\$79,868			\$21,154	\$546,703		\$546,703
166 Accumulated Depreciation	(\$8,323,990)	(\$66,500)		(\$58,605)	(\$1,511)	(\$8,450,606)		(\$8,450,606)
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,019,068	\$35,020	\$0	\$1,796,894	\$19,643	\$6,870,625	\$0	\$6,870,625
180 Total Non-Current Assets	\$5,019,068	\$35,020	\$0	\$1,796,894	\$19,643	\$6,870,625	\$0	\$6,870,625
200 Deferred Outflow of Resources	\$38,292	\$42,170				\$80,462		\$80,462
290 Total Assets and Deferred Outflow of Resources	\$5,952,770	\$299,180	\$0	\$1,811,723	\$286,398	\$8,350,071	(\$28,640)	\$8,321,431

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$73,880					\$73,880		\$73,880
321 Accrued Wage/Payroll Taxes Payable	\$45,280					\$45,280		\$45,280
322 Accrued Compensated Absences - Current Portion	\$5,497	\$6,591				\$12,088		\$12,088
341 Tenant Security Deposits	\$61,547			\$2,115		\$63,662		\$63,662
342 Unearned Revenue	\$3,980					\$3,980		\$3,980
346 Accrued Liabilities - Other	\$269,038			\$132,778		\$401,816		\$401,816
347 Inter Program - Due To	\$12,149	\$16,491				\$28,640	(\$28,640)	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$471,371	\$23,082	\$0	\$134,893	\$0	\$629,346	(\$28,640)	\$600,706
353 Non-current Liabilities - Other		\$70,892				\$70,892		\$70,892
354 Accrued Compensated Absences - Non Current	\$21,990	\$26,362				\$48,352		\$48,352
357 Accrued Pension and OPEB Liabilities	\$330,559	\$364,038				\$694,597		\$694,597
350 Total Non-Current Liabilities	\$352,549	\$461,292	\$0	\$0	\$0	\$813,841	\$0	\$813,841
300 Total Liabilities	\$823,920	\$484,374	\$0	\$134,893	\$0	\$1,443,187	(\$28,640)	\$1,414,547
400 Deferred Inflow of Resources	\$6,585	\$7,253				\$13,838		\$13,838
508.4 Net Investment in Capital Assets	\$5,019,068	\$35,020		\$1,796,894	\$19,643	\$6,870,625		\$6,870,625
511.4 Restricted Net Position	\$0	\$64,607				\$64,607		\$64,607
512.4 Unrestricted Net Position	\$103,196	(\$292,073)	\$0	(\$120,064)	\$266,755	(\$42,186)		(\$42,186)
513 Total Equity - Net Assets / Position	\$5,122,264	(\$192,446)	\$0	\$1,676,830	\$286,398	\$6,893,046	\$0	\$6,893,046
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,952,770	\$299,180	\$0	\$1,811,723	\$286,398	\$8,350,071	(\$28,640)	\$8,321,431

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2015

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$710,611			\$8,870		\$719,481		\$719,481
70400 Tenant Revenue - Other	\$21,257			\$85		\$21,342		\$21,342
70500 Total Tenant Revenue	\$731,868	\$0	\$0	\$8,955	\$0	\$740,823		\$740,823
70600 HUD PHA Operating Grants	\$701,248	\$8,504,548				\$9,205,796		\$9,205,796
70610 Capital Grants	\$24,300					\$24,300		\$24,300
70800 Other Government Grants	\$500					\$500		\$500
71100 Investment Income - Unrestricted	\$6			\$4	\$582	\$592		\$592
71400 Fraud Recovery		\$20,686				\$20,686		\$20,686
71500 Other Revenue		\$691			\$20,044	\$20,735		\$20,735
71600 Gain or Loss on Sale of Capital Assets	\$2,028	\$2,028				\$4,056		\$4,056
70000 Total Revenue	\$1,459,950	\$8,527,953	\$0	\$8,959	\$20,626	\$10,017,488		\$10,017,488
91100 Administrative Salaries	\$205,534	\$445,315				\$650,849		\$650,849
91200 Auditing Fees	\$4,107	\$6,161				\$10,268		\$10,268
91400 Advertising and Marketing	\$1,598	\$746		\$435		\$2,779		\$2,779
91500 Employee Benefit contributions - Administrative	\$84,696	\$181,128				\$265,824		\$265,824
91700 Legal Expense	\$17,935	\$10,406		\$2,563		\$30,904		\$30,904
91800 Travel	\$4,080	\$4,910				\$8,990		\$8,990
91900 Other	\$97,067	\$115,311		\$813	\$6,197	\$219,388		\$219,388
91000 Total Operating - Administrative	\$415,017	\$763,977	\$0	\$3,811	\$6,197	\$1,189,002		\$1,189,002
93100 Water	\$54,740	\$535		\$617		\$55,892		\$55,892
93200 Electricity	\$162,176	\$3,161		\$2,713		\$168,050		\$168,050
93300 Gas	\$37,543	\$502		\$5,690		\$43,735		\$43,735
93000 Total Utilities	\$254,459	\$4,198	\$0	\$9,020	\$0	\$267,677		\$267,677
94100 Ordinary Maintenance and Operations - Labor	\$198,103					\$198,103		\$198,103
94200 Ordinary Maintenance and Operations - Materials and Other	\$82,196	\$2,942		\$3,309		\$88,447		\$88,447
94300 Ordinary Maintenance and Operations Contracts	\$219,615	\$275		\$68,672	\$1,454	\$290,016		\$290,016
94500 Employee Benefit Contributions - Ordinary Maintenance	\$79,792					\$79,792		\$79,792
94000 Total Maintenance	\$579,706	\$3,217	\$0	\$71,981	\$1,454	\$656,358		\$656,358
95200 Protective Services - Other Contract Costs	\$5,905			\$378		\$6,283		\$6,283
95000 Total Protective Services	\$5,905	\$0	\$0	\$378	\$0	\$6,283		\$6,283
96110 Property Insurance	\$71,933	\$6,452		\$3,438		\$81,823		\$81,823
96100 Total insurance Premiums	\$71,933	\$6,452	\$0	\$3,438	\$0	\$81,823		\$81,823
96200 Other General Expenses	\$5,017	\$7,648		\$396		\$13,061		\$13,061
96300 Payments in Lieu of Taxes	\$47,741					\$47,741		\$47,741
96400 Bad debt - Tenant Rents	\$29,057					\$29,057		\$29,057
96000 Total Other General Expenses	\$81,815	\$7,648	\$0	\$396	\$0	\$89,859		\$89,859

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FDS SCHEDULE
JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
96900 Total Operating Expenses	\$1,408,835	\$785,492	\$0	\$89,024	\$7,651	\$2,291,002		\$2,291,002
97000 Excess of Operating Revenue over Operating Expenses	\$51,115	\$7,742,460	\$0	(\$80,065)	\$12,975	\$7,726,485		\$7,726,485
97100 Extraordinary Maintenance	\$35,185					\$35,185		\$35,185
97300 Housing Assistance Payments		\$7,962,395				\$7,962,395		\$7,962,395
97400 Depreciation Expense	\$512,219	\$12,853		\$32,920	\$1,511	\$559,503		\$559,503
90000 Total Expenses	\$1,956,239	\$8,760,740	\$0	\$121,944	\$9,162	\$10,848,085		\$10,848,085
10010 Operating Transfer In	\$42,393					\$42,393		\$42,393
10020 Operating transfer Out	(\$42,393)					(\$42,393)		(\$42,393)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$496,289)	(\$232,787)	\$0	(\$112,985)	\$11,464	(\$830,597)		(\$830,597)
11030 Beginning Equity	\$2,985,422	\$374,031	\$2,936,132	\$1,789,815	\$274,934	\$8,360,334		\$8,360,334
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$2,633,131	(\$333,690)	(\$2,936,132)			(\$636,691)		(\$636,691)
11170 Administrative Fee Equity		\$72,067				\$72,067		\$72,067
11180 Housing Assistance Payments Equity		\$64,607				\$64,607		\$64,607
11190 Unit Months Available	3068	17484		120		20672		20672
11210 Number of Unit Months Leased	2920	15473		9		18402		18402
11270 Excess Cash	\$274,674					\$274,674		\$274,674
11620 Building Purchases	\$90,967					\$90,967		\$90,967

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH ENTITY/ PROGRAM TITLE	FEDERAL CFDA NUMBER	2015 FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>DIRECT AWARDS:</i>		
Low Rent Public Housing	14.850	\$ 579,010
Public Housing Capital Fund	14.872	146,538
Section 8 Housing Choice Vouchers	14.871	<u>8,504,548</u>
Total U.S. Department of Housing and Urban Development		<u>9,230,096</u>
TOTAL FEDERAL AWARDS EXPENDITURES		<u><u>\$ 9,230,096</u></u>

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



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740.695.1569

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

February 19, 2016

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Lake Metropolitan Housing Authority**, Lake County, (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2016, wherein we noted the Authority adopted *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27* and *Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

...**"bringing more to the table"**

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •

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

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



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



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

February 19, 2016

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

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Lake Metropolitan Housing Authority's, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Lake Metropolitan Housing Authority's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program 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 program. However, our audit does not provide a legal determination of the Authority's compliance.

... "bringing more to the table"

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Opinion on the Major Federal Program

In our opinion, the Lake Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

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.



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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

LAKE COUNTY METROPOLITAN HOUSING AUTHORITY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 17, 2016