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Certified Public Accountants, A.C.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY
Single Audit
For the Year Ended June 30, 2016**

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...“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

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 17, 2017

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**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
FOR THE YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

December 16, 2016

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lorain Metropolitan Housing Authority**, Lorain County, Ohio (the Authority), as of and for the year ended June 30, 2016, 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.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lorain Metropolitan Housing Authority, Lorain County as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 supplemental financial data schedules presented on pages 35 through 38, the Schedule of Modernization Costs - Completed on page 39 and the Schedule of Units under LMHA Management on page 40 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 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 and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)**

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

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

FINANCIAL HIGHLIGHTS

- The net position decreased by \$2,577,788, or 8.1 percent, during 2016. Since the Authority engages in only business-type activities, the decrease is usually all in the category of business-type net position. Net position was \$29,236,840 and \$31,814,628 for 2016 and 2015, respectively.
- The business-type activities' revenue increased by \$1,308,870, or 4.2 percent, during 2016 and was \$32,488,164 and \$31,179,294 for 2016 and 2015, respectively.
- The total expenses increased by \$1,954,685 or 5.9 percent. Total expenses were \$35,065,952 and \$33,111,267 for 2016 and 2015, respectively.

Financial Statements

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

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

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

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

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

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)**

The Authority's Programs

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

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

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

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

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

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)**

AUTHORITY STATEMENTS

Statement of Net Position

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

Table 1 - Statement of Net Position

| | 2016 | 2015 |
|--------------------------------|---------------------|---------------------|
| <u>Assets</u> | | |
| Current and Other Assets | \$8,332,872 | \$9,674,393 |
| Capital Assets | 28,062,025 | 29,071,556 |
| Deferred Outflows of Resources | 2,202,939 | 539,461 |
| Total Assets | 38,597,836 | 39,285,410 |
| <u>Liabilities</u> | | |
| Current Liabilities | 1,582,692 | 1,460,742 |
| Long-Term Liabilities | 7,643,766 | 5,944,802 |
| Deferred Inflows of Resources | 134,538 | 65,238 |
| Total Liabilities | 9,360,996 | 7,470,782 |
| <u>Net Position:</u> | | |
| Net Invested in Capital Assets | 26,985,020 | 27,752,768 |
| Restricted | 31,329 | 1,038,116 |
| Unrestricted | 2,220,491 | 3,023,744 |
| Total Net Position | \$29,236,840 | \$31,814,628 |

Major Factors Affecting the Statement of Net Position

Current and other assets were decreased by \$1,341,521, while current liabilities were increased by \$121,950. Current assets, primarily cash and investments, decreased due to operating subsidy proration and increased expenses during increased occupied units during fiscal year 2016. Current liabilities increased primarily due to the timing of work completion and invoicing on capital projects.

Capital assets decreased by \$1,009,531 from \$29,071,556 to \$28,062,025.

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

Table 2 - Change of Unrestricted Net Position

| | |
|--|--------------------|
| Unrestricted Net Position at June 30, 2015 | \$3,023,744 |
| Results of Operations | (2,587,694) |
| Adjustments: | |
| Depreciation(1) | 2,756,806 |
| Adjusted Results from Operations | 169,112 |
| Net Change in Restricted Assets(3) | (169,112) |
| Net Change in Capital Assets(2) | (803,253) |
| Unrestricted Net Position at June 30, 2016 | \$2,220,491 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)**

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.
- (2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against results of operations, and therefore must be deducted.
- (3) The use of the Housing Choice Voucher Housing Assistance Payment balance from fiscal year 2015 for fiscal year 2016 expenses.

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

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

| | 2016 | 2015 |
|----------------------------------|----------------------|----------------------|
| Revenues | | |
| Tenant Revenue - Rents and Other | \$2,888,664 | \$2,903,306 |
| Operating Subsidies and Grants | 27,938,804 | 25,995,009 |
| Capital Grants | 1,225,206 | 1,394,529 |
| Investment Income | 32,593 | 31,727 |
| Other Revenues | 402,897 | 854,723 |
| Total Revenue | 32,488,164 | 31,179,294 |
| Expenses | | |
| Administrative | 5,997,353 | 5,541,953 |
| Tenant Services | 348,157 | 351,734 |
| Utilities | 2,051,298 | 1,944,777 |
| Maintenance | 3,403,588 | 3,226,550 |
| Protective Services | 329,877 | 373,868 |
| General | 1,887,059 | 1,382,411 |
| Housing Assistance Payments | 18,291,814 | 17,442,865 |
| Depreciation | 2,756,806 | 2,847,109 |
| Total Expenses | 35,065,952 | 33,111,267 |
| Net Increase/(Decrease) | (\$2,577,788) | (\$1,931,973) |

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

Total revenues increased by \$1,308,870. This increase is primarily the result of increased funding for Housing Choice Voucher Assistance Payments.

Total expenses increased \$1,954,685. This increase is primarily the result of increased Housing Choice Voucher Assistance Payments.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$28,062,025 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$1,009,531 from the end of last year.

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

| | 2016 | 2015 |
|--------------------------------|----------------------|----------------------|
| Land | \$ 5,354,400 | \$ 5,354,400 |
| Buildings | 88,104,678 | 86,875,880 |
| Office Equipment | 856,585 | 856,585 |
| Maintenance Equipment/Vehicles | 1,299,069 | 1,308,788 |
| Construction in progress | 594,809 | 95,195 |
| Total | <u>96,209,541</u> | <u>94,490,848</u> |
| Less: Accumulated depreciation | <u>(68,147,516)</u> | <u>(65,419,292)</u> |
| Total | <u>\$ 28,062,025</u> | <u>\$ 29,071,556</u> |

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

Table 5 - Change in Capital Assets - June 30, 2016

| | |
|----------------------------------|---------------------|
| Beginning Balance - July 1, 2015 | \$ 29,071,556 |
| Additions | 1,747,275 |
| Depreciation | <u>(2,756,806)</u> |
| Ending Balance - June 30, 2016 | <u>\$28,062,025</u> |
| This year's major additions are: | |
| Capital Improvements Program | 1,710,064 |
| Equipment Purchases | <u>37,211</u> |
| | <u>\$ 1,747,275</u> |

See Note 5 for additional information on capital assets.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Outstanding

As of the year-end, the Authority's component unit had \$1,077,005 in debt outstanding compared to \$1,318,788 last year, a \$241,783 decrease. No other debt was outstanding.

Table 6 - Outstanding Debt at Year-End

| | <u>2016</u> | <u>2015</u> |
|--|------------------------|------------------------|
| Refinance of construction & acquisition | \$1,318,788 | \$1,547,074 |
| Add: Adjustment to interest amortization | \$981 | \$1,224 |
| Less: Current Year Payments | <u>(\$242,764)</u> | <u>(\$229,510)</u> |
| Total Outstanding Debt | <u>\$1,077,005</u> | <u>\$1,318,788</u> |

See Note 6 for additional information on debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

Current Assets

Cash and Cash Equivalents:

| | |
|---------------------------------|--------------|
| Cash and Cash Equivalents | \$ 2,926,348 |
| Cash - Restricted | 157,596 |
| Cash - Tenant Security Deposits | 218,464 |
| Total Cash and Cash Equivalents | 3,302,408 |

Accounts and Notes Receivable:

| | |
|--|---------|
| Accounts Receivable - HUD Other Projects | 261,902 |
| Accounts Receivable - Miscellaneous | 15,781 |
| Accounts Receivable - Tenants, Net | 11,866 |
| Notes, Loans, and Mortgages Receivable - Current | 28,765 |
| Fraud Recovery Receivable, net | 86,567 |
| Accrued Interest Receivable | 6,631 |
| Total Accounts and Notes Receivable | 411,512 |

Other Current Assets:

| | |
|-----------------------------------|------------------|
| Investments - Unrestricted | 2,695,796 |
| Inventories, Net | 152,379 |
| Prepaid Expenses and Other Assets | 223,031 |
| Total Other Current Assets | 3,071,206 |
| Total Current Assets | 6,785,126 |

Non-Current Assets

Capital Assets

| | |
|---------------------------------|------------|
| Non-Depreciable Capital Assets | 5,354,400 |
| Depreciable Capital Assets, Net | 22,707,625 |
| Total Capital Assets | 28,062,025 |

Other Non-Current Assets

| | |
|---|-------------------|
| Notes, Loans, and Mortgages Receivable, Non-Current | 1,547,746 |
| Total Other Non-Current Assets | 1,547,746 |
| Total Non-Current Assets | 29,609,771 |

Deferred Outflows of Resources

2,202,939

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$38,597,836

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2016
(CONTINUED)**

LIABILITIES

Current Liabilities

| | |
|------------------------------------|-------------------------|
| Accounts Payable | \$ 128,716 |
| Accrued Wages and Payroll Taxes | 261,904 |
| Accrued Compensated Absences | 367,095 |
| Accrued Interest Payable | 4,473 |
| Accounts Payable - PILOT and Other | 33,752 |
| Tenant Security Deposits | 197,663 |
| Current Portion of Long-Term Debt | 257,263 |
| Other Current Liabilities | 331,826 |
| Total Current Liabilities | <u>1,582,692</u> |

Non-Current Liabilities

| | |
|---|-------------------------|
| Long-Term Debt, Net of Current Portion | 819,742 |
| Accrued Compensated Absences | 347,582 |
| Non-Current Liabilities-FSS Escrow and Others | 128,410 |
| Net Pension Liability | 6,348,032 |
| Total Non-Current Liabilities | <u>7,643,766</u> |
| TOTAL LIABILITIES | <u>9,226,458</u> |

Deferred Inflows of Resources

134,538

NET POSITION

| | |
|----------------------------------|--------------------------|
| Net Investment in Capital Assets | 26,985,020 |
| Restricted | 31,329 |
| Unrestricted | 2,220,491 |
| TOTAL NET POSITION | <u>29,236,840</u> |

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION **\$ 38,597,836**

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Operating Revenue

| | |
|---------------------------------|--------------------------|
| Net Tenant Rental Revenue | \$ 2,645,478 |
| Tenant Revenue-Other | 243,186 |
| | <u>2,888,664</u> |
| HUD PHA Operating Grants | 27,938,804 |
| Fraud Recovery | 179,517 |
| Other Revenue | 223,380 |
| Total Operating Revenues | <u><u>31,230,365</u></u> |

Operating Expenses

| | |
|------------------------------------|--------------------------|
| Administrative | 5,997,353 |
| Tenant Services | 348,157 |
| Utilities | 2,051,298 |
| Ordinary Maintenance And Operation | 3,403,588 |
| Protective Services | 329,877 |
| Insurance Premiums | 432,328 |
| Other General Expenses | 700,337 |
| Payments In Lieu Of Taxes | 33,752 |
| Bad Debt | 153,133 |
| Extraordinary Maintenance | 404,561 |
| Casualty Losses - Non-Capitalized | 93,254 |
| Housing Assistance Payments | 18,291,814 |
| Depreciation Expense | 2,756,806 |
| Total Operating Expenses | <u><u>34,996,258</u></u> |
| Operating Income | <u>(3,765,893)</u> |

Non-Operating Revenues (Expenses)

| | |
|--|---------------------------|
| Investment Income - Unrestricted | 32,526 |
| Investment Income - Restricted | 67 |
| Interest Expense | (69,694) |
| Total Non-Operating Revenues (Expenses) | <u>(37,101)</u> |
| (Loss) Before Capital Contributions and Grants | <u><u>(3,802,994)</u></u> |

| | |
|------------------------|--------------------|
| Capital Grants | <u>1,225,206</u> |
| Change In Net Position | <u>(2,577,788)</u> |

| | |
|------------------------------|-------------------|
| Total Net Position-Beginning | <u>31,814,628</u> |
|------------------------------|-------------------|

| | |
|----------------------------------|----------------------------|
| Total Net Position-Ending | <u><u>\$29,236,840</u></u> |
|----------------------------------|----------------------------|

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Cash Flows from Operating Activities

| | |
|--|--------------|
| Tenant Revenue Received | \$ 2,887,806 |
| Other Revenue Received | 361,878 |
| General and Administrative Expenses Paid | (31,930,530) |
| | (28,680,846) |

Cash Flows from Non-Capital Financing Activities

| | |
|---|-------------------|
| Government Operating Grants Received | 27,886,121 |
| Net Cash Provided (used) by Financing Activities | 27,886,121 |

Cash Flows from Capital and Related Financing Activities

| | |
|---|------------------|
| Government Capital Grants Received | 1,238,955 |
| Purchases of Land, Structures and Equipment | (1,747,275) |
| Total Payments to Retire Long Term Debt | (312,481) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (820,801) |

Cash Flows from Investing Activities

| | |
|---|----------------|
| Purchase of Investments | (3,197,800) |
| Proceeds from Sale of Investments | 3,685,015 |
| Interest Received | 33,227 |
| Issuance of Notes Receivable | (15,904) |
| Net Cash Provided (Used) by Investing Activities | 504,538 |
| Increase (Decrease) in Cash and Cash Equivalents | (1,110,988) |

| | |
|---|-----------|
| Cash and Cash Equivalents - Beginning of Year | 4,413,396 |
|---|-----------|

| | |
|--|---------------------|
| Cash and Cash Equivalents - End of Year | \$ 3,302,408 |
|--|---------------------|

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

| | |
|---|----------------|
| Operating Income | \$ (3,765,893) |
| Adjustments to Change in Net Position | |
| HUD PHA Operating Grants | (27,938,804) |
| Add Back Non-Cash Items: | |
| Depreciation Expense | 2,756,806 |
| Decrease (Increase) in Operating Assets: | |
| Accounts Receivable | (42,833) |
| Prepaid Expenses | (144,344) |
| Inventory | (15,303) |
| Increase (Decrease) in Operating Liabilities: | |
| Accounts Payable | 127,930 |
| Accrued Liabilities | 357,758 |
| Other Liabilities | (16,163) |
| Total Adjustments | (24,914,953) |

| | |
|--|------------------------|
| Net Cash Used by Operating Activities | \$ (28,680,846) |
|--|------------------------|

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1: **DESCRIPTION OF THE ENTITY**

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

Reporting Entity

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

Lorain Metropolitan Housing Authority

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Blended Component Unit

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

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

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

Related Organization

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

Joint Venture

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Basis of Accounting

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

Reporting Entity

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

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts - Bad Debt Expenses

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

Fraud Recovery Receivable

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

Notes Receivable Current

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

Notes Receivable Non-Current

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Investments

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

Cash - Restricted

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

Inventory

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

Land, Property, and Equipment

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

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Compensated Absences

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

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

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

Net Position

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

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

Operating Revenues and Expenses

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Interprogram Due To and Due From Other Entities

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

Use of Estimates

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

Budgetary Accounting

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority and its component unit (LCEHC) places deposits, pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 100 percent of the carrying value of the public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies. The carrying amount of the Authority's deposits was \$3,302,408 at June 30, 2016, which includes \$200 at June 30, 2016, of petty cash, and the bank balance was \$3,543,190 at June 30, 2016. The difference represents outstanding checks and other in-transit transactions of the bank balance. \$250,000 was covered by federal depository insurance and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

Investments

The Authority has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet the Authority's cash flow needs and return on investment are secondary goals of the policy. The Authority does not purchase any form of derivative. The carrying amount of the Authority's investments was \$2,695,796 at June 30, 2016, and the bank balance was the same. The investments are held in certificates of deposit greater than 3 months but less than 1 year maturity.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Investments (Continued)

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

As of June 30, 2016, the Authority had the following investments:

| <u>Type</u> | <u>Fair Value</u> | <u>Maturity (Days)</u> |
|-------------------|--------------------|------------------------|
| Negotiable CD's | <u>\$2,695,796</u> | 12 months or less |
| Total Investments | <u>\$2,695,796</u> | |

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Investments (Continued)

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

| | |
|--|----------------------------|
| Unrestricted Cash and Cash Equivalents * | \$ 2,926,348 |
| Restricted Cash and Cash Equivalents | 376,060 |
| Unrestricted Investments | <u>2,695,796</u> |
| Total | <u>\$ 5,998,204</u> |
| | |
| Carrying Amounts of Deposits | \$ 3,302,408 |
| Carrying Amounts of Investments | <u>2,695,796</u> |
| Total | <u>\$ 5,998,204</u> |

* Includes Petty Cash

NOTE 4: **RESTRICTED CASH**

The Authority had the following restricted cash:

| | |
|---|--------------------------|
| Insurance Proceeds and Modernization Projects | \$ 31,329 |
| Tenant Security Deposits | 218,464 |
| Family Self-Sufficiency Escrow Balance | <u>126,267</u> |
| Total Restricted Cash | <u>\$ 376,060</u> |

NOTE 5: **CAPITAL ASSETS**

The following is a summary of capital assets:

| | Balance | | | Balance |
|---|-------------------|------------------|--------------------|-------------------|
| | July 1, 2015 | Additions | Deletions | June 30, 2016 |
| <i>Capital Assets Not Being Depreciated</i> | | | | |
| Land | \$5,354,400 | \$0 | \$0 | \$5,354,400 |
| Construction in Progress | 95,195 | 1,713,298 | (1,213,684) | 594,809 |
| Total Capital Assets Not Being Depreciated | <u>5,449,595</u> | <u>1,713,298</u> | <u>(1,213,684)</u> | <u>5,949,209</u> |
| <i>Capital Assets Being Depreciated</i> | | | | |
| Buildings | 86,875,880 | 1,228,798 | 0 | 88,104,678 |
| Office Equipment | 1,308,788 | 18,863 | (28,582) | 1,299,069 |
| Maintenance Equipment | 469,188 | 4,650 | 0 | 473,838 |
| Vehicles | 387,397 | 0 | (4,650) | 382,747 |
| Total Capital Assets Being Depreciated | <u>89,041,253</u> | <u>1,252,311</u> | <u>(33,232)</u> | <u>90,260,332</u> |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 5: **CAPITAL ASSETS** (Continued)

Less Accumulated Depreciation

| | | | | |
|---|--------------------------------|----------------------------|---------------------------------|------------------------------|
| Buildings | (63,795,720) | (2,764,254) | 160,746 | (66,399,228) |
| Office Equipment | (969,474) | (102,069) | 28,582 | (1,042,961) |
| Maintenance Equipment | (369,613) | (23,700) | 0 | (393,313) |
| Vehicles | (284,485) | (33,178) | 5,650 | (312,013) |
| Total Accumulated Depreciation | <u>(65,419,292)</u> | <u>(2,923,201)</u> | <u>194,977</u> | <u>(68,147,516)</u> |
| Total Capital Assets Being Depreciated, Net | <u>23,621,961</u> | <u>(1,670,890)</u> | <u>161,745</u> | <u>22,112,816</u> |
| Capital Assets, Net | <u><u>\$29,071,556</u></u> | <u><u>\$42,408</u></u> | <u><u>(\$1,051,939)</u></u> | <u><u>28,062,025</u></u> |

NOTE 6: **DEBT AND LEASE OBLIGATIONS**

Long-Term Debt

Mortgage Loan

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

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

| <u>Fiscal Year</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total Amount</u> | <u>Interest Rate (%)</u> |
|------------------------|-----------------------------|----------------------------|-------------------------|------------------------------|
| 2017 | \$ 257,263 | \$ 55,218 | \$ 312,481 | 5.75% |
| 2018 | 272,472 | 40,009 | 312,481 | 5.75% |
| 2019 | 288,537 | 23,944 | 312,481 | 5.75% |
| 2020 | 258,733 | 7,007 | 265,740 | 5.75% |
| | <u>\$ 1,077,005</u> | <u>\$ 126,178</u> | <u>\$ 1,203,183</u> | |

A reconciliation of long-term liabilities is shown below:

| | <u>Balance July 1, 2015</u> | <u>Additions</u> | <u>Retired</u> | <u>Balance June 30, 2016</u> | <u>Due Within One Year</u> |
|-----------------------|---------------------------------|---------------------|-------------------|----------------------------------|--------------------------------|
| Mortgage Loan | \$ 1,318,788 | \$ 981 | \$ 242,764 | \$ 1,077,005 | \$ 257,263 |
| Compensated Absences | 658,063 | 424,462 | 367,847 | 714,678 | 367,095 |
| FSS Escrows | 124,860 | 97,003 | 93,453 | 128,410 | - |
| Net Pension Liability | 4,373,087 | 1,974,945 | - | 6,348,032 | - |
| Total 2016 | <u>\$ 6,474,798</u> | <u>\$ 2,497,391</u> | <u>\$ 704,064</u> | <u>\$ 8,268,125</u> | <u>\$ 624,358</u> |

Short Term Debt

The Authority has not engaged in short-term borrowing as characterized by GASB Statement No. 38 and, therefore, has no short-term debt obligations for the fiscal year ended June 30, 2016.

Lease Obligations

The Authority did not lease office equipment in the fiscal year ended June 30, 2016.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 7: **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, 2016, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2016 was 14.0 percent of covered payroll, 12% was used for pension contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2016, 2015 and 2014 were \$587,212, \$573,626, and \$583,732 respectively. 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, 2015, 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:

| | <u>OPERS</u> |
|---|--------------|
| Amount for proportionate share of net pension liability | \$ 6,348,032 |
| Percentage for proportionate share of net pension liability | 0.036649% |
| Change in proportionate percentage from prior year | -0.001327% |

For the year ended June 30, 2016, the Authority recognized pension expense of \$908,634. The Authority also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (see next page):

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ - | \$ 134,538 |
| Net difference between projected and actual investment earnings on pension plan investments | 1,884,051 | - |
| Contributions subsequent to measurement date | 289,321 | - |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | <u>29,567</u> | <u>-</u> |
| Totals | <u>\$ 2,202,939</u> | <u>\$ 134,538</u> |

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:

| Year Ended June 30: | |
|---------------------|---------------------|
| 2017 | \$ 424,524 |
| 2018 | 454,477 |
| 2019 | 480,483 |
| 2020 | 425,002 |
| 2021 | (1,388) |
| Thereafter | <u>(4,018)</u> |
| Total | <u>\$ 1,779,080</u> |

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, 2015, 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 presented below:

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

| Actuarial Information | Traditional Pension Plan | Combined Pension Plan |
|----------------------------|--|--|
| Valuation Date | December 31, 2015 | December 31, 2015 |
| Experience Study | 5 Year Period Ended December 31, 2010 | 5 Year Period Ended December 31, 2010 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 8.00% | 8.00% |
| Wage Inflation | 3.75% | 3.75% |
| Projected Salary Increases | 4.25% - 10.05% (includes wage inflation at 3.75%) | 4.25% - 8.05% (includes wage inflation at 3.75%) |
| Cost-of-living Adjustments | Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple | Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% 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.

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.

| | 1% Decrease <u>7.0%</u> | Current Discount Rate 8.0% | 1% Increase <u>9.0%</u> |
|--|----------------------------|----------------------------------|----------------------------|
| Proportionate share of net pension liability | \$ 10,114,025 | \$ 6,348,032 | \$ 3,171,604 |

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

| <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 | 20.70 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 18.30 | 7.40 |
| Other Investments | 18.00 | 4.59 |
| Total | 100.00% | 5.27% |

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.

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 0.4%.

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 8: POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. PLAN DESCRIPTION

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

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

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

B. FUNDING POLICY

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

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, 2016, 2015, and 2014 which were used to fund postemployment benefits, were \$97,869, \$95,604, and \$69,834, respectively.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 9: INSURANCE COVERAGE

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

| | <u>Deductible</u> | <u>Coverage Limits</u> |
|---|-------------------|------------------------|
| Property | \$ 5,000 | \$ 144,664,716 |
| General Liability | 0 | 1,000,000/2,000,000 |
| Vehicle | 250/500 | ACV/1,000,000 |
| Directors, Officers, and Trustees Liability | 10,000 | 1,000,000/1,000,000 |
| Blanket Position Bond | 5,000 | 500,000 |
| Umbrella Liability | 10,000 | 3,000,000/3,000,000 |

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

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

NOTE 10: RESTRICTED NET POSITION

Funds in the Public Housing Program have been earmarked for future development. The corresponding funds are reflected in the restricted cash accounts.

| | |
|----------------------|------------------|
| Public Housing Funds | \$ 31,329 |
| Total | \$ 31,329 |

NOTE 11: CONCENTRATIONS

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

NOTE 12: COMMITMENTS AND CONTINGENCIES

Grants

The Authority and its component unit received financial assistance from a federal agency in the form of grants and from a county agency using a grant to provide four houses to the component unit. The disbursement of funds and assets received under these grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at June 30, 2016.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 12: **COMMITMENTS AND CONTINGENCIES (Continued)**

Contingencies

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

NOTE 13: **GASB STATEMENT IMPLEMENTATION**

In 2016, the Authority implemented GASB Statement No. 72, "Fair Value Measurement and Application". GASB Statement No. 72 addressed accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Authority's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 14: **CAPITAL CONTRIBUTIONS**

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

NOTE 15: **BLENDED COMPONENT UNITS**

As of June 30, 2016, the condensed Statement of Net Position for the blended component unit (LCEHC) is as follows:

| | |
|----------------------------------|----------------------------|
| Current Assets | \$ 1,035,054 |
| Noncurrent Assets | 130,634 |
| Non-depreciable capital assets | <u>3,127,796</u> |
| Total Assets | <u>\$ 4,293,484</u> |
| | |
| <u>Liabilities</u> | |
| Current Liabilities | \$ 413,252 |
| Noncurrent Liabilities | <u>1,206,265</u> |
| Total Liabilities | <u>1,619,517</u> |
| | |
| <u>Net Position</u> | |
| Net Investment in Capital Assets | 2,050,791 |
| Unrestricted | <u>623,176</u> |
| Total Net Position | <u>\$ 2,673,967</u> |

As of June 30, 2016, the condensed Statement of Activities for the blended component unit (LCEHC) is as follows (see next page):

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

| | |
|--|---------------------|
| Operating Revenue | |
| Total Tenant Revenue | \$ 638,371 |
| HUD PHA Operating Grants | 850,655 |
| Other Revenue | 35,200 |
| Total Operating Revenue | <u>1,524,226</u> |
| Operating Expenses | |
| Depreciation | 322,968 |
| Other Operating Expenses | 1,156,562 |
| Total Operating Expenses | <u>1,479,530</u> |
| Operating Income | <u>44,696</u> |
| Nonoperating Revenue(Expense) | |
| Investment Income-Unrestricted | 2,592 |
| Interest Expense | (69,694) |
| Total Nonoperating Revenue(Expense) | <u>(67,102)</u> |
| Capital Contributions | |
| Changes in Net Position | (22,406) |
| Beginning Net Position | <u>2,696,373</u> |
| Ending Net Position | <u>\$ 2,673,967</u> |

As of June 30, 2016, the condensed Statement of Cash Flows for the blended component unit is as follows:

| | |
|--|-------------------|
| Net Cash Provided by Operating Activities | \$ 320,501 |
| Net Cash Used in Investing Activities | (446,874) |
| Net Cash Used in Financing Activities | (241,783) |
| Net Increase(Decrease) in Cash and Cash Equivalents | <u>(368,156)</u> |
| Beginning Cash and Cash Equivalents | <u>841,950</u> |
| Ending Cash and Cash Equivalents | <u>\$ 473,794</u> |

LORAIN METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2016
Ohio Public Employees Retirement System
Last 10 Fiscal Years*

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|
| Authority's proportion of the net pension liability (asset) (percentage) | 3.664900% | 0.036427% | 0.053023% |
| Authority's proportionate share of the net pension liability (asset) | \$ 6,348,032 | \$ 4,373,088 | \$ 4,288,705 |
| Authority's covered-employee payroll | \$ 4,766,042 | \$ 4,780,216 | \$ 4,668,352 |
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 133.19% | 91.48% | 91.87% |
| Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan) | 81.08% | 86.45% | 86.36% |
| Plan fiduciary net position as a percentage of the total pension liability (Combined Plan) | 116.90% | 114.83% | 104.56% |

*Information prior to 2014 is not available.

Amounts presented are as of the Authority's measurement date, which is December 31 of the previous year.

**Lorain Metropolitan Housing Authority
Required Supplementary Information
Schedule of Contributions
For the Fiscal Years Ended June 30, 2016 and 2007**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 587,212 | \$ 573,626 | \$ 583,732 | \$ 534,741 | \$ 475,282 | \$ 417,057 | \$ 377,835 | \$ 309,033 | \$ 291,914 | \$ 344,860 |
| Contributions in Relation to the Contractually Required Contribution | 587,212 | 573,626 | 583,732 | 534,741 | 475,282 | 417,057 | 377,835 | 309,033 | 291,914 | 344,860 |
| Contribution Deficit (Surplus) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's Covered-Employee Payroll | \$ 4,893,433 | \$ 4,780,216 | \$ 4,668,352 | \$ 4,655,817 | \$ 4,752,820 | \$ 4,537,806 | \$ 4,318,785 | \$ 3,989,865 | \$ 3,928,430 | \$ 3,718,160 |
| Contributions as a Percentage of Covered-Employee Payroll | 12.00% | 12.00% | 12.50% | 11.49% | 10.00% | 9.19% | 8.75% | 7.75% | 7.43% | 9.28% |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

| Federal Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|--|------------------------------------|---|--|---------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| <u>Direct Programs</u> | | | | |
| Low Income Housing Assistance Programs: | | | | |
| Section 8 Housing Choice Voucher | 14.871 | N/A | \$ - | \$ 19,622,594 |
| Public Housing - Operating Subsidy | 14.850 | N/A | - | 5,916,766 |
| Public Housing Capital Fund Program | 14.872 | N/A | - | 2,157,303 |
| Section 8 New Construction | 14.182 | LCEHC | 850,655 | 850,655 |
| Shelter Plus Care | 14.238 | N/A | - | 437,603 |
| Resident Opportunity and Supportive Services Grant | 14.870 | N/A | - | 71,841 |
| Family Self-Sufficiency Program Coordinators | 14.896 | N/A | - | 107,248 |
| Total U.S. Department of Housing and Urban Development | | | 850,655 | 29,164,010 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 850,655 | \$ 29,164,010 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: **PRESENTATION**

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2016**

| | Project Total | 14.896 FH Family Self-Sufficiency Program | 14.870 Resident Opportunity and Supportive Services | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|---|---|--------------------------------|------------------------------|--------------------------|-----------------------|--------------|---------------|-----------|---------------|
| 111 Cash - Unrestricted | \$1,728,580 | | | \$110,509 | \$416,639 | | \$67,564 | \$603,056 | \$2,926,348 | | \$2,926,348 |
| 112 Cash - Restricted - Modernization and Development | \$31,329 | | | | | | | | \$31,329 | | \$31,329 |
| 113 Cash - Other Restricted | \$49,622 | | | \$76,470 | | | | | \$125,092 | | \$125,092 |
| 114 Cash - Tenant Security Deposits | \$151,153 | | | | \$57,155 | | \$10,156 | | \$218,464 | | \$218,464 |
| 115 Cash - Restricted for Payment of Current Liabilities | \$1,175 | | | | | | | | \$1,175 | | \$1,175 |
| 100 Total Cash | \$1,960,859 | \$0 | \$0 | \$186,979 | \$473,794 | \$0 | \$77,720 | \$603,056 | \$3,302,408 | \$0 | \$3,302,408 |
| 121 Accounts Receivable - PHA Projects | | | | | | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | \$149,895 | \$17,748 | \$6,104 | \$88,215 | | | | | \$261,902 | | \$261,902 |
| 124 Accounts Receivable - Other Government | | | | | | | | | | | |
| 125 Accounts Receivable - Miscellaneous | \$293 | | | \$6,078 | | | \$9,410 | | \$15,781 | | \$15,781 |
| 126 Accounts Receivable - Tenants | \$9,539 | | | | \$3,037 | | \$149 | | \$12,725 | | \$12,725 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -\$790 | | | | -\$59 | | -\$10 | | -\$859 | | -\$859 |
| 126.2 Allowance for Doubtful Accounts - Other | \$0 | \$0 | \$0 | \$0 | \$0 | | \$0 | | \$0 | | \$0 |
| 127 Notes, Loans, & Mortgages Receivable - Current | \$27,702 | | | | \$1,063 | | | | \$28,765 | | \$28,765 |
| 128 Fraud Recovery | \$41,506 | | | \$58,670 | \$3,286 | | | | \$103,462 | | \$103,462 |
| 128.1 Allowance for Doubtful Accounts - Fraud | -\$3,338 | | | -\$13,494 | -\$63 | | | | -\$16,895 | | -\$16,895 |
| 129 Accrued Interest Receivable | \$4,372 | | | | \$1,673 | | \$586 | | \$6,631 | | \$6,631 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$229,119 | \$17,748 | \$6,104 | \$139,469 | \$6,937 | \$0 | \$10,135 | \$0 | \$411,512 | \$0 | \$411,512 |
| 131 Investments - Unrestricted | \$2,018,092 | | | | \$502,003 | | \$175,701 | | \$2,695,796 | | \$2,695,796 |
| 132 Investments - Restricted | | | | | | | | | | | |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | \$119,515 | | | \$26,299 | \$33,390 | | \$369 | \$43,438 | \$223,031 | | \$223,031 |
| 143 Inventories | \$122,869 | | | | \$18,084 | | | \$22,014 | \$162,767 | | \$162,767 |
| 143.1 Allowance for Obsolete Inventories | -\$7,829 | | | | -\$1,154 | | | -\$1,405 | -\$10,388 | | -\$10,388 |
| 144 Inter Program Due From | | | | | | | \$16,671 | | \$16,671 | -\$16,671 | \$0 |
| 145 Assets Held for Sale | | | | | | | | | | | |
| 150 Total Current Assets | \$4,442,425 | \$17,748 | \$6,104 | \$352,747 | \$1,035,054 | \$0 | \$280,616 | \$667,103 | \$6,801,797 | -\$16,671 | \$6,785,126 |
| 161 Land | \$4,533,358 | | | \$69,400 | \$333,678 | | \$417,764 | | \$5,354,400 | | \$5,354,400 |
| 162 Buildings | \$75,858,006 | | | \$1,010,838 | \$9,203,941 | | \$705,176 | \$1,326,717 | \$88,104,678 | | \$88,104,678 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$420,017 | | | | \$228,415 | | | \$208,153 | \$856,585 | | \$856,585 |
| 164 Furniture, Equipment & Machinery - Administration | \$125,718 | | \$1,148 | \$460,883 | \$51,428 | | \$27,286 | \$632,606 | \$1,299,069 | | \$1,299,069 |
| 165 Leasehold Improvements | | | | | | | | | | | |
| 166 Accumulated Depreciation | -\$58,484,853 | | -\$1,148 | -\$929,963 | -\$6,689,866 | | -\$289,757 | -\$1,751,929 | -\$68,147,516 | | -\$68,147,516 |
| 167 Construction in Progress | \$594,809 | | | | | | | | \$594,809 | | \$594,809 |
| 168 Infrastructure | | | | | | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$23,047,055 | \$0 | \$0 | \$611,158 | \$3,127,796 | \$0 | \$860,469 | \$415,547 | \$28,062,025 | \$0 | \$28,062,025 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | \$1,547,746 | | | | | | | | \$1,547,746 | | \$1,547,746 |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due | | | | | | | | | | | |
| 173 Grants Receivable - Non Current | | | | | | | | | | | |
| 174 Other Assets | | | | | | | | | | | |
| 176 Investments in Joint Ventures | | | | | | | | | | | |
| 180 Total Non-Current Assets | \$24,594,801 | \$0 | \$0 | \$611,158 | \$3,127,796 | \$0 | \$860,469 | \$415,547 | \$29,609,771 | \$0 | \$29,609,771 |
| 200 Deferred Outflow of Resources | \$1,073,492 | | | \$387,938 | \$130,634 | | | \$610,875 | \$2,202,939 | | \$2,202,939 |
| 290 Total Assets and Deferred Outflow of Resources | \$30,110,718 | \$17,748 | \$6,104 | \$1,351,843 | \$4,293,484 | \$0 | \$1,141,085 | \$1,695,525 | \$30,614,507 | -\$16,671 | \$30,597,836 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2016**

| | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.870 Resident Opportunity and | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|--|---------------|--|---------------------------------|--------------------------------|------------------------------|--------------------------|-----------------------|--------------|--------------|------|--------------|
| 311 Bank Overdraft | | | | | | | | | | | |
| 312 Accounts Payable <= 90 Days | \$112,116 | | | | \$16,600 | | | | \$128,716 | | \$128,716 |
| 313 Accounts Payable >90 Days Past Due | | | | | | | | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | \$126,779 | \$5,377 | \$1,804 | \$41,892 | \$14,244 | | \$2,587 | \$69,221 | \$261,904 | | \$261,904 |
| 322 Accrued Compensated Absences - Current Portion | \$161,121 | | | \$54,528 | \$12,234 | | | \$139,212 | \$367,095 | | \$367,095 |
| 324 Accrued Contingency Liability | | | | | | | | | | | |
| 325 Accrued Interest Payable | | | | | \$4,473 | | | | \$4,473 | | \$4,473 |
| 331 Accounts Payable - HUD PHA Programs | | | | | | | | | | | |
| 332 Account Payable - PHA Projects | | | | | | | | | | | |
| 333 Accounts Payable - Other Government | \$5,031 | | | | \$28,721 | | | | \$33,752 | | \$33,752 |
| 341 Tenant Security Deposits | \$137,355 | | | | \$56,663 | | \$3,645 | | \$197,663 | | \$197,663 |
| 342 Unearned Revenue | | | | | | | | | | | |
| 343 Current Portion of Long-term Debt - Capital | | | | | \$257,263 | | | | \$257,263 | | \$257,263 |
| 344 Current Portion of Long-term Debt - Operating | | | | | | | | | | | |
| 345 Other Current Liabilities | | | | | | | | \$95,650 | \$95,650 | | \$95,650 |
| 346 Accrued Liabilities - Other | \$174,436 | | | \$27,652 | \$23,054 | | \$444 | \$10,591 | \$236,176 | | \$236,176 |
| 347 Inter Program - Due To | | \$12,371 | \$4,300 | | | | | | \$16,671 | | \$0 |
| 348 Loan Liability - Current | | | | | | | | | | | |
| 310 Total Current Liabilities | \$716,837 | \$17,748 | \$6,104 | \$124,072 | \$413,252 | \$0 | \$6,676 | \$314,674 | \$1,599,363 | | \$1,582,692 |
| 351 Long-term Debt, Net of Current - Capital | | | | | | | | | | | |
| 352 Long-term Debt, Net of Current - Operating | | | | | | | | | \$819,742 | | \$819,742 |
| 353 Non-current Liabilities - Other | \$48,622 | | | \$79,788 | | | | | \$128,410 | | \$128,410 |
| 354 Accrued Compensated Absences - Non Current | \$77,887 | | | \$86,015 | \$2,107 | | | \$181,573 | \$347,582 | | \$347,582 |
| 355 Loan Liability - Non Current | | | | | | | | | | | |
| 356 FASB 5 Liabilities | | | | | | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | \$3,093,396 | | | \$1,117,888 | \$376,438 | | | \$1,760,310 | \$6,348,032 | | \$6,348,032 |
| 350 Total Non-Current Liabilities | \$3,219,905 | \$0 | \$0 | \$1,283,691 | \$1,198,287 | \$0 | \$0 | \$1,941,883 | \$7,643,766 | \$0 | \$7,643,766 |
| 300 Total Liabilities | \$3,936,742 | \$17,748 | \$6,104 | \$1,407,763 | \$1,611,539 | \$0 | \$6,676 | \$2,256,557 | \$9,243,129 | | \$9,226,458 |
| 400 Deferred Inflow of Resources | \$65,560 | | | \$23,692 | \$7,978 | | | \$37,308 | \$134,538 | | \$134,538 |
| 508.4 Net Investment in Capital Assets | \$23,047,055 | | | \$611,158 | \$2,050,791 | | \$980,469 | \$415,547 | \$26,985,020 | | \$26,985,020 |
| 511.4 Restricted Net Position | \$31,329 | | | | | | | | \$31,329 | | \$31,329 |
| 512.4 Unrestricted Net Position | \$3,030,032 | \$0 | \$0 | -\$690,770 | \$623,176 | \$0 | \$273,940 | -\$1,015,887 | \$2,220,491 | | \$2,220,491 |
| 513 Total Equity - Net Assets / Position | \$26,108,416 | \$0 | \$0 | -\$79,612 | \$2,673,967 | \$0 | \$1,134,409 | -\$600,340 | \$29,236,840 | \$0 | \$29,236,840 |
| 600 Total Liabilities, Deferred Inflows of Resources and | \$30,110,718 | \$17,748 | \$6,104 | \$1,351,843 | \$4,293,484 | \$0 | \$1,141,085 | \$1,693,525 | \$38,614,507 | | \$38,697,836 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2016**

| | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.870 Resident Opportunity and Supportive | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|--|--|--------------------------------|------------------------------|--------------------------|-----------------------|-------------|--------------|--------------|--------------|
| 70300 Net Tenant Rental Revenue | \$1,975,062 | | | | \$628,789 | | \$41,627 | | \$2,645,478 | | \$2,645,478 |
| 70400 Tenant Revenue - Other | \$232,842 | | | | \$9,582 | | \$762 | | \$243,186 | | \$243,186 |
| 70500 Total Tenant Revenue | \$2,207,904 | \$0 | \$0 | \$0 | \$638,371 | \$0 | \$42,389 | \$0 | \$2,888,664 | \$0 | \$2,888,664 |
| 70600 HUD PHA Operating Grants | \$6,848,863 | \$107,248 | \$71,841 | \$19,622,594 | \$850,655 | \$437,603 | | | \$27,938,804 | | \$27,938,804 |
| 70610 Capital Grants | \$1,225,206 | | | | | | | | \$1,225,206 | | \$1,225,206 |
| 70710 Management Fee | | | | | | | | \$1,520,855 | \$1,520,855 | -\$1,520,855 | \$0 |
| 70720 Asset Management Fee | | | | | | | | \$172,240 | \$172,240 | -\$172,240 | \$0 |
| 70730 Book Keeping Fee | | | | | | | | \$369,400 | \$369,400 | -\$369,400 | \$0 |
| 70740 Front Line Service Fee | | | | | | | | \$94,405 | \$94,405 | -\$94,405 | \$0 |
| 70750 Other Fees | | | | | | | | | | | |
| 70700 Total Fee Revenue | | | | | | | | \$2,146,900 | \$2,146,900 | -\$2,146,900 | \$0 |
| 70800 Other Government Grants | | | | | | | \$14,168 | | \$14,168 | | \$14,168 |
| 71100 Investment Income - Unrestricted | \$12,451 | | | \$37 | \$2,592 | | \$757 | \$785 | \$16,622 | | \$16,622 |
| 71200 Mortgage Interest Income | \$15,904 | | | | | | | | \$15,904 | | \$15,904 |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | | | | | | |
| 71400 Fraud Recovery | \$59,336 | | | \$117,542 | \$2,639 | | | | \$179,517 | | \$179,517 |
| 71500 Other Revenue | \$158,383 | | | \$2,835 | \$32,561 | | \$25,048 | \$5,135 | \$223,962 | -\$14,750 | \$209,212 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | | | | | | |
| 72000 Investment Income - Restricted | | | | \$67 | | | | | \$67 | | \$67 |
| 70000 Total Revenue | \$10,528,047 | \$107,248 | \$71,841 | \$19,743,075 | \$1,526,818 | \$437,603 | \$82,362 | \$2,152,820 | \$34,649,814 | -\$2,161,650 | \$32,488,164 |
| 91100 Administrative Salaries | \$1,148,888 | | | \$819,971 | \$183,572 | | | \$1,163,421 | \$3,315,852 | | \$3,315,852 |
| 91200 Auditing Fees | \$7,992 | | | \$7,992 | \$3,996 | | | \$674 | \$20,554 | | \$20,554 |
| 91300 Management Fee | \$1,017,314 | | | \$367,033 | \$104,164 | \$52,771 | | | \$1,541,282 | -\$1,518,571 | \$22,711 |
| 91310 Book-keeping Fee | \$122,678 | | | \$229,396 | \$360 | | | | \$362,434 | -\$362,434 | \$0 |
| 91400 Advertising and Marketing | \$8,588 | | | | \$17,624 | | \$400 | \$37,678 | \$64,290 | | \$64,290 |
| 91500 Employee Benefit contributions - Administrative | \$516,508 | | | \$396,188 | \$75,248 | | | \$435,324 | \$1,423,268 | | \$1,423,268 |
| 91600 Office Expenses | \$283,806 | | | \$174,944 | \$44,063 | | \$9,846 | \$253,918 | \$766,577 | -\$200 | \$766,377 |
| 91700 Legal Expense | \$101,961 | | | \$205,133 | \$5,177 | | \$218 | \$15,524 | \$328,013 | | \$328,013 |
| 91800 Travel | \$913 | | | \$248 | \$409 | | | \$1,213 | \$2,783 | | \$2,783 |
| 91810 Allocated Overhead | | | | | | | | | | | |
| 91900 Other | \$16,310 | | \$13,328 | \$7,034 | \$3,179 | | \$247 | \$37,407 | \$77,505 | -\$24,000 | \$53,505 |
| 91000 Total Operating - Administrative | \$3,224,958 | \$0 | \$13,328 | \$2,207,939 | \$437,792 | \$52,771 | \$10,711 | \$1,945,059 | \$7,892,558 | -\$1,895,205 | \$5,997,353 |
| 92000 Asset Management Fee | \$171,760 | | | | \$480 | | | | \$172,240 | -\$172,240 | \$0 |
| 92100 Tenant Services - Salaries | \$77,408 | \$79,214 | \$41,305 | \$9,980 | \$12,646 | | | | \$220,553 | | \$220,553 |
| 92200 Relocation Costs | \$5,150 | | | | | | | | \$5,150 | | \$5,150 |
| 92300 Employee Benefit Contributions - Tenant Services | \$34,306 | \$28,034 | \$17,208 | \$3,224 | \$4,721 | | | | \$87,493 | | \$87,493 |
| 92400 Tenant Services - Other | \$33,883 | | | | \$1,278 | | | | \$34,961 | | \$34,961 |
| 92500 Total Tenant Services | \$150,547 | \$107,248 | \$58,513 | \$13,204 | \$18,645 | \$0 | \$0 | \$0 | \$348,157 | \$0 | \$348,157 |
| 93100 Water | \$455,036 | | | \$906 | \$43,432 | | \$2,527 | \$489 | \$502,390 | | \$502,390 |
| 93200 Electricity | \$407,852 | | | \$19,632 | \$186,731 | | \$4,194 | \$10,521 | \$628,930 | | \$628,930 |
| 93300 Gas | \$215,262 | | | \$6,517 | \$719 | | \$6,667 | \$3,491 | \$232,656 | | \$232,656 |
| 93400 Fuel | | | | | | | | | | | |
| 93500 Labor | | | | | | | | | | | |
| 93600 Sewer | \$616,357 | | | \$1,003 | \$66,783 | | \$2,638 | \$541 | \$687,322 | | \$687,322 |
| 93700 Employee Benefit Contributions - Utilities | | | | | | | | | | | |
| 93800 Other Utilities Expense | | | | | | | | | | | |
| 93000 Total Utilities | \$1,694,507 | \$0 | \$0 | \$28,058 | \$297,665 | \$0 | \$16,026 | \$15,042 | \$2,051,298 | \$0 | \$2,051,298 |
| 94100 Ordinary Maintenance and Operations - Labor | \$1,017,413 | | | | \$75,579 | | \$2,659 | \$98,994 | \$1,194,645 | | \$1,194,645 |
| 94200 Ordinary Maintenance and Operations - Materials and | \$356,170 | | | \$2,415 | \$35,479 | | \$1,033 | \$26,749 | \$421,846 | | \$421,846 |
| 94300 Ordinary Maintenance and Operations Contracts | \$1,137,545 | | | \$1,813 | \$137,499 | | \$12,705 | \$52,214 | \$1,341,776 | -\$94,205 | \$1,247,571 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$452,792 | | | | \$38,671 | | \$1,041 | \$47,022 | \$539,526 | | \$539,526 |
| 94000 Total Maintenance | \$2,963,920 | \$0 | \$0 | \$4,228 | \$287,228 | \$0 | \$17,438 | \$224,979 | \$3,497,793 | -\$94,205 | \$3,403,588 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2016**

| | Project Total | 14.896 PIH Family Self-Sufficiency Program | 14.870 Resident Opportunity and Supportive | 14.871 Housing Choice Vouchers | 6.2 Component Unit - Blended | 14.238 Shelter Plus Care | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---------------|--|--|--------------------------------|------------------------------|--------------------------|-----------------------|-------------|--------------|--------------|--------------|
| 95100 Protective Services - Labor | \$46,183 | | | | \$6,672 | | | \$2,871 | \$55,726 | | \$55,726 |
| 95200 Protective Services - Other Contract Costs | \$246,391 | | | | \$11,480 | | | | \$257,871 | | \$257,871 |
| 95300 Protective Services - Other | | | | | | | | | | | |
| 95500 Employee Benefit Contributions - Protective Services | \$13,492 | | | | \$1,949 | | | \$839 | \$16,280 | | \$16,280 |
| 95000 Total Protective Services | \$306,066 | \$0 | \$0 | \$0 | \$20,101 | \$0 | \$0 | \$3,710 | \$329,877 | \$0 | \$329,877 |
| 96110 Property Insurance | \$208,169 | | | \$2,890 | \$14,515 | | \$1,434 | \$656 | \$227,664 | | \$227,664 |
| 96120 Liability Insurance | \$52,907 | | | \$13,077 | \$9,279 | | \$849 | \$525 | \$75,637 | | \$75,637 |
| 96130 Workmen's Compensation | \$24,881 | | | \$9,056 | \$2,996 | | | \$12,971 | \$49,904 | | \$49,904 |
| 96140 All Other Insurance | \$44,566 | | | \$5,119 | \$6,059 | | | \$23,389 | \$79,123 | | \$79,123 |
| 96100 Total Insurance Premiums | \$330,513 | \$0 | \$0 | \$30,142 | \$31,849 | \$0 | \$2,283 | \$37,541 | \$432,328 | \$0 | \$432,328 |
| 96200 Other General Expenses | \$402,100 | | | \$53,333 | \$15,310 | \$399 | \$13 | \$142,626 | \$613,781 | | \$613,781 |
| 96210 Compensated Absences | \$25,519 | | | \$2,418 | \$2,338 | | | \$30,054 | \$60,329 | | \$60,329 |
| 96300 Payments in Lieu of Taxes | \$5,031 | | | | \$28,721 | | | | \$33,752 | | \$33,752 |
| 96400 Bad debt - Tenant Rents | \$108,226 | | | \$35,198 | \$7,989 | | \$1,615 | \$105 | \$153,133 | | \$153,133 |
| 96500 Bad debt - Mortgages | | | | | | | | | | | |
| 96600 Bad debt - Other | | | | | | | | | | | |
| 96800 Severance Expense | \$7,183 | | | | \$849 | | | \$18,095 | \$26,227 | | \$26,227 |
| 96000 Total Other General Expenses | \$548,059 | \$0 | \$0 | \$90,949 | \$55,307 | \$399 | \$1,628 | \$190,880 | \$887,222 | \$0 | \$887,222 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | | \$69,694 | | | | \$69,694 | | \$69,694 |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | | | | | | | | |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$0 | \$0 | \$69,694 | \$0 | \$0 | \$0 | \$69,694 | \$0 | \$69,694 |
| 96900 Total Operating Expenses | \$9,390,330 | \$107,248 | \$71,841 | \$2,374,520 | \$1,218,761 | \$53,170 | \$48,086 | \$2,417,211 | \$15,681,167 | -\$2,161,650 | \$13,519,517 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$1,137,717 | \$0 | \$0 | \$17,368,555 | \$308,057 | \$384,433 | \$34,276 | -\$264,391 | \$18,968,647 | \$0 | \$18,968,647 |
| 97100 Extraordinary Maintenance | \$380,210 | | | | \$7,495 | | | \$16,856 | \$404,561 | | \$404,561 |
| 97200 Casualty Losses - Non-capitalized | \$93,254 | | | | | | | \$93,254 | \$93,254 | | \$93,254 |
| 97300 Housing Assistance Payments | | | | \$17,894,501 | | \$384,433 | \$12,880 | | \$18,291,814 | | \$18,291,814 |
| 97350 HAP Portability-In | | | | | | | | | | | |
| 97400 Depreciation Expense | \$2,236,957 | | | \$87,858 | \$322,968 | | \$35,145 | \$73,878 | \$2,756,806 | | \$2,756,806 |
| 90000 Total Expenses | \$12,100,751 | \$107,248 | \$71,841 | \$20,356,879 | \$1,549,224 | \$437,603 | \$96,111 | \$2,507,945 | \$37,227,802 | -\$2,161,650 | \$35,066,952 |
| 10010 Operating Transfer In | \$765,000 | | | \$425,000 | | | \$6,013 | | \$1,196,013 | -\$1,196,013 | \$0 |
| 10020 Operating transfer Out | -\$765,000 | | | | | | | -\$431,013 | -\$1,196,013 | \$1,196,013 | \$0 |
| 10100 Total Other financing Sources (Uses) | \$0 | \$0 | \$0 | \$425,000 | \$0 | \$0 | \$6,013 | -\$431,013 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total | -\$1,572,704 | \$0 | \$0 | -\$188,804 | -\$22,406 | \$0 | -\$7,736 | -\$786,138 | -\$2,577,768 | \$0 | -\$2,577,768 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | \$241,783 | \$0 | \$0 | \$0 | \$241,783 | | \$241,783 |
| 11030 Beginning Equity | \$27,681,120 | \$0 | \$0 | \$109,192 | \$2,696,373 | \$0 | \$1,142,145 | \$185,798 | \$31,814,628 | | \$31,814,628 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction | \$0 | | | | | | | | \$0 | | \$0 |
| 11170 Administrative Fee Equity | | | | -\$79,612 | | | | | -\$79,612 | | -\$79,612 |
| 11180 Housing Assistance Payments Equity | | | | \$0 | | | | | \$0 | | \$0 |
| 11190 Unit Months Available | 17092 | | | 36984 | 2448 | 780 | 84 | | 57368 | | 57368 |
| 11210 Number of Unit Months Leased | 16357 | | | 36412 | 2358 | 747 | 71 | | 55945 | | 55945 |
| 11270 Excess Cash | \$2,662,701 | | | | | | | | \$2,662,701 | | \$2,662,701 |
| 11620 Building Purchases | \$1,225,206 | | | | | | | \$0 | \$1,225,206 | | \$1,225,206 |

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF MODERNIZATION COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>Note A</u> | <u>Note B</u> | <u>Note C</u> | <u>Note D</u> | <u>Note E</u> |
|--|-----------------|----------------|-----------------|-----------------|--------------------|
| | OH012FSH524A014 | OH199L5E071306 | OH0199L5E071407 | OH012RPS093A010 | OH12P01250112 |
| | ROSS Grant | SNAP Grant | SNAP Grant | ROSS Grant | Capital Fund Grant |
| <u>Description</u> | | | | | |
| Funds Approved - Latest Budget | \$ 110,193 | \$ 534,521 | \$ 544,865 | \$ 232,838 | \$ 1,880,789 |
| Funds Advanced | 110,193 | 383,886 | 437,603 | 232,838 | 1,880,789 |
| Funds Expended | 110,193 | 383,886 | 437,603 | 232,838 | 1,880,789 |
| Difference Between Funds Advanced and Funds Expended | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Note A: This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2016.

Note B: This Special Needs Assistance Program grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2016. \$150,635 was not advanced or expended.

Note C: This Special Needs Assistance Program grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2016. \$107,262 was not advanced or expended.

Note D: This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2016.

Note E: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2016.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

The Lorain Metropolitan Housing Authority had a total of 4,731 units under its management. See details below:

| <u>Management</u> | <u>Units Available</u> | <u>Average Number of Units Leased in Fiscal Year</u> |
|---|----------------------------|--|
| Lorain Metropolitan Housing Authority | | |
| Low income public housing | 1,373 | 1,313 |
| Section 8 vouchers | 3,082 | 3,034 |
| Sheltered plus care | 65 | 62 |
| General fund (not HUD funded) | 7 | 6 |
| Total | <u>4,527</u> | <u>4,415</u> |
| Lorain County Elderly Housing Corporation | | |
| Section 8 new construction | <u>204</u> | <u>197</u> |
| Total LMHA and LCEHC | <u><u>4,731</u></u> | <u><u>4,612</u></u> |



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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**

December 16, 2016

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

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Lorain Metropolitan Housing Authority**, Lorain County, (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 16, 2016.

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*.

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated December 16, 2016.

Purpose of this Report

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



Perry and 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 THE UNIFORM GUIDANCE**

December 16, 2016

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

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited **Lorain Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



... "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

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- Association of Certified Anti - Money Laundering Specialists •



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.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

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



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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

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 weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any 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 weaknesses in internal control reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any 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 2 CFR § 200.516(a)? | 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: > \$ 874,920 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR §200.520? | Yes |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

LORAIN COUNTY METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 30, 2017