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Certified Public Accountants, A.C.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY
Single Audit
For the Year Ended June 30, 2017**

www.perrycpas.com

...“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 •



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, 2016 through June 30, 2017. 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

February 7, 2018

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**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
FOR THE YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1-3
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Statement of Net Position	10-11
Statement of Revenues, Expenses, and Changes in Net Position.....	12
Statement of Cash Flows.....	13
Notes to the Basic Financial Statements	14-31
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability.....	32
Schedule of Contributions.....	33
Supplemental Financial Data:	
Schedule of Expenditures of Federal Awards.....	34
Notes to the Schedule of Expenditures of Federal Awards	35
FDS Schedules	36-39
Schedule of Modernization Costs – Completed.....	40
Schedule of Units Under LMHA Management.....	41
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	42-43
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance.....	44-45
Schedule of Audit Findings – Uniform Guidance	46

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INDEPENDENT AUDITOR'S REPORT

December 15, 2017

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, 2017, 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, 2017, 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 36 through 39, the Schedule of Modernization Costs - Completed on page 40 and the Schedule of Units under LMHA Management on page 41 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 derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, 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, 2017
(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 \$936,788, or 3.2 percent, during 2017. 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 \$28,300,052 and \$29,236,840 for 2017 and 2016, respectively.
- The business-type activities' revenue increased by \$2,372,448, or 7.3 percent, during 2017 and was \$34,860,612 and \$32,488,164 for 2017 and 2016, respectively.
- The total expenses increased by \$731,448 or 2.0 percent. Total expenses were \$35,797,400 and \$35,065,952 for 2017 and 2016, 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, 2017
(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.

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, 2017
(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

	2017	2016
<u>Assets</u>		
Current and Other Assets	\$7,686,038	\$8,332,872
Capital Assets	28,144,987	28,062,025
Deferred Outflows of Resources	2,848,769	2,202,939
Other Non-Current Assets	28,813	24,979
Total Assets	38,708,607	38,597,836
<u>Liabilities</u>		
Current Liabilities	1,141,285	1,582,692
Long-Term Liabilities	9,103,851	7,668,745
Deferred Inflows of Resources	163,419	134,538
Total Liabilities	10,408,555	9,385,975
<u>Net Position:</u>		
Net Invested in Capital Assets	27,323,588	26,985,020
Restricted	233,191	31,329
Unrestricted	743,273	2,220,491
Total Net Position	\$28,300,052	\$29,236,840

Major Factors Affecting the Statement of Net Position

Current and other assets were decreased by \$646,834, while current liabilities were decreased by \$441,407. Current assets, primarily cash and investments, decreased due to the timing of funding and prepaid expenses at the end of fiscal year 2017. Current liabilities decreased primarily due to the timing of accrued payroll related expenses at the end of fiscal year 2017.

Capital assets increased by \$82,962 from \$28,062,025 to \$28,144,987.

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

Table 2 - Change of Unrestricted Net Position

Unrestricted Net Position at June 30, 2016	\$2,220,491
Results of Operations	(2,930,789)
Adjustments:	
Depreciation(1)	2,728,927
Adjusted Results from Operations	(201,862)
Net Change in Restricted Assets(3)	201,862
Net Change in Capital Assets(2)	(1,477,218)
Unrestricted Net Position at June 30, 2017	\$743,273

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 2016 for fiscal year 2017 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

	2017	2016
Revenues		
Tenant Revenue - Rents and Other	\$2,974,170	\$2,888,664
Operating Subsidies and Grants	28,587,924	27,938,804
Capital Grants	2,678,410	1,225,206
Investment Income	40,841	32,593
Other Revenues	579,267	402,897
Total Revenue	<u>34,860,612</u>	<u>32,488,164</u>
Expenses		
Administrative	5,714,141	5,997,353
Tenant Services	421,678	348,157
Utilities	2,147,766	2,051,298
Maintenance	3,526,489	3,403,588
Protective Services	338,259	329,877
General	2,536,453	1,887,059
Housing Assistance Payments	18,349,870	18,291,814
Loss on Disposals	33,817	-
Depreciation	2,728,927	2,756,806
Total Expenses	<u>35,797,400</u>	<u>35,065,952</u>
Net Increase/(Decrease)	<u>(\$936,788)</u>	<u>(\$2,577,788)</u>

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

Total revenues increased by \$2,372,448. This increase is primarily the result of increased utilization of the Capital Fund Grants.

Total expenses increased \$731,448. This increase is primarily the result of increased pension liability expense required by GASB 68.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$28,144,987 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions, depreciation and the removal of fully depreciated improvements as a result of a review of replaced improvements) of \$82,962 from the end of last year.

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

	2017	2016
Land	\$5,353,843	\$5,354,400
Buildings	84,839,546	88,104,678
Maintenance Equipment/Vehicles	865,880	856,585
Office Equipment	1,269,501	1,299,069
Construction in progress	28,968	594,809
Total	92,357,738	96,209,541
Less: Accumulated depreciation	(64,212,751)	(68,147,516)
Total	\$28,144,987	\$28,062,025

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, 2017

Beginning Balance - July 1, 2016	\$28,062,025
Additions	2,847,994
Retirements, net of Depreciation	(36,105)
Depreciation	(2,728,927)
Ending Balance - June 30, 2017	\$28,144,987
This year's major additions are:	
Capital Improvements Program	2,821,770
Equipment Purchases	26,224
	\$2,847,994

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, 2017
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Outstanding

As of the year-end, the Authority's component unit had \$821,399 in debt outstanding compared to \$1,077,005 last year, a \$255,606 decrease. No other debt was outstanding.

	<u>2017</u>	<u>2016</u>
Refinance of construction & acquisition	\$1,077,005	\$1,318,788
Add: Adjustment to interest amortization	1,657	981
Less: Current Portion	<u>(257,263)</u>	<u>(242,764)</u>
 Total Outstanding Debt	 <u>\$821,399</u>	 <u>\$1,077,005</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, 2017**

ASSETS

Current Assets

Cash and Cash Equivalents:

Cash and Cash Equivalents	\$ 5,045,191
Cash - Restricted	383,954
Cash - Tenant Security Deposits	220,658
Total Cash and Cash Equivalents	5,649,803

Accounts and Notes Receivable:

Accounts Receivable - HUD Other Projects	76,274
Accounts Receivable - Miscellaneous	28,779
Accounts Receivable - Tenants, Net	19,912
Notes, Loans, and Mortgages Receivable - Current	32,249
Fraud Recovery Receivable, net	98,326
Total Accounts and Notes Receivable	255,540

Other Current Assets:

Inventories, Net	131,277
Prepaid Expenses and Other Assets	85,602
Total Other Current Assets	216,879
Total Current Assets	6,122,222

Non-Current Assets

Capital Assets

Non-Depreciable Capital Assets	5,382,811
Depreciable Capital Assets, Net	22,762,176
Total Capital Assets	28,144,987

Other Non-Current Assets

Other Non-Current Assets - Pension	28,813
Notes, Loans, and Mortgages Receivable, Non-Current	1,563,816
Total Other Non-Current Assets	1,592,629
Total Non-Current Assets	29,737,616

Deferred Outflows of Resources

2,848,769

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$38,708,607

See notes to the basic financial statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2017
(CONTINUED)**

LIABILITIES

Current Liabilities

Accounts Payable	\$ 22,722
Accrued Wages and Payroll Taxes	90,541
Accrued Compensated Absences	332,630
Accrued Interest Payable	4,000
Accounts Payable - PILOT and Other	30,642
Tenant Security Deposits	199,690
Current Portion of Long-Term Debt	271,694
Other Current Liabilities	189,366
Total Current Liabilities	<u>1,141,285</u>

Non-Current Liabilities

Long-Term Debt, Net of Current Portion	549,705
Accrued Compensated Absences	297,202
Non-Current Liabilities-FSS Escrow and Others	150,762
Net Pension Liability	8,106,182
Total Non-Current Liabilities	<u>9,103,851</u>
TOTAL LIABILITIES	<u>10,245,136</u>

Deferred Inflows of Resources	163,419
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NET POSITION

Net Investment in Capital Assets	27,323,588
Restricted	233,191
Unrestricted	743,273
TOTAL NET POSITION	<u>28,300,052</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 38,708,607</u>
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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, 2017**

<u>Operating Revenue</u>	
Net Tenant Rental Revenue	\$ 2,723,700
Tenant Revenue-Other	250,470
	<u>2,974,170</u>
HUD PHA Operating Grants	28,587,924
Fraud Recovery	189,354
Other Revenue	389,913
Total Operating Revenues	<u><u>32,141,361</u></u>
<u>Operating Expenses</u>	
Administrative	5,714,141
Tenant Services	421,678
Utilities	2,147,766
Ordinary Maintenance And Operation	3,526,489
Protective Services	338,259
Insurance Premiums	447,266
Other General Expenses	1,398,663
Payments In Lieu Of Taxes	30,642
Bad Debt	169,474
Extraordinary Maintenance	359,572
Casualty Losses - Non-Capitalized	73,853
Housing Assistance Payments	18,349,870
Depreciation Expense	2,728,927
Total Operating Expenses	<u><u>35,706,600</u></u>
Operating Income	<u>(3,565,239)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income - Unrestricted	40,724
Investment Income - Restricted	117
Interest Expense	(56,983)
(Loss) on Sale/Removal of Capital Assets	(33,817)
Total Non-Operating Revenues (Expenses)	<u>(49,959)</u>
(Loss) Before Capital Contributions and Grants	<u><u>(3,615,198)</u></u>
Capital Grants	<u>2,678,410</u>
Change In Net Position	(936,788)
Total Net Position-Beginning	<u>29,236,840</u>
Total Net Position-Ending	<u><u>\$ 28,300,052</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, 2017**

Cash Flows from Operating Activities

Tenant Revenue Received	\$ 2,962,640
Other Revenue Received	556,537
General and Administrative Expenses Paid	(32,192,175)
	<u>(28,672,998)</u>

Cash Flows from Non-Capital Financing Activities

Government Operating Grants Received	28,651,404
Net Cash Provided (used) by Financing Activities	28,651,404

Cash Flows from Capital and Related Financing Activities

Government Capital Grants Received	2,800,558
Purchases of Land, Structures and Equipment	(2,845,706)
Total Payments to Retire Long Term Debt	(313,062)
Net Cash Provided (Used) by Capital and Related Financing Activities	(358,210)

Cash Flows from Investing Activities

Proceeds from Sale of Investments	2,695,797
Interest Received	47,472
Issuance of Notes Receivable	(16,070)
Net Cash Provided (Used) by Investing Activities	2,727,199
Increase (Decrease) in Cash and Cash Equivalents	2,347,395

Cash and Cash Equivalents - Beginning of Year	3,302,408
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Cash and Cash Equivalents - End of Year	\$ 5,649,803
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**Reconciliation of Operating Income to
Net Cash Provided by Operating Activities**

Operating Income	\$ (3,565,239)
Adjustments to Change in Net Position	
HUD PHA Operating Grants	(28,587,924)
Add Back Non-Cash Items:	
Depreciation Expense	2,728,927
Decrease (Increase) in Operating Assets:	
Accounts Receivable	(36,287)
Prepaid Expenses	137,429
Inventory	21,102
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(105,994)
Accrued Liabilities	738,098
Other Liabilities	(3,110)
Total Adjustments	(25,107,759)
Net Cash Used by Operating Activities	\$ (28,672,998)

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, 2017**

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, 2017
(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, 2017
(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, 2017
(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 and FSS program escrow accounts.

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, 2017
(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.

Interprogram Due To and Due From Other Entities

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

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

Use of Estimates

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

Budgetary Accounting

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

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 \$5,649,803 at June 30, 2017, which includes \$200 at June 30, 2017, of petty cash, and the bank balance was \$5,869,961 at June 30, 2017. The difference represents outstanding checks and other in-transit transactions of the bank balance. \$250,000 was covered by federal depository insurance, \$3,345,432 was held in Star Ohio and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

At June 30, 2017, the Authority had \$3,345,432 held in STAR Ohio. STAR Ohio is a highly liquid investment pool with participation restricted to subdivisions of the State of Ohio. Due to the highly liquid nature of the fund, STAR Ohio resembles a money market fund and, therefore, has been treated as a cash equivalent by the Authority in the financial statements. The Authority's investment in the pool is not subject to custodial credit risk categorization because it is not evidenced by securities that exist in physical or book entry form.

STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but has adopted GASB Statement No. 79, Accounting and Financial Reporting for Cert External Investment Pools and Pool Participants. Investments in STAR Ohio are valued on the basis of the amortized cost valuation technique. For the year ended June 30 2017, there were no limitations on any participant withdrawals due to redemption notice periods, liquidity feed, or redemption gates.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

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

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. Investments are held in certificates of deposit greater than 3 months but less than 1 year maturity. The Authority held no investments at June 30, 2017.

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 (STAR Ohio) and STARPLUS; and (7) subject to certain restrictions and limitations, short-term commercial paper, and bankers acceptances.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The Authority does not limit the amount that may be invested with any one issuer. However, the Authority does competitively bid banking services every 3 years, with 2 one-year options. In addition, all investments are collateralized as mentioned above.

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

Unrestricted Cash and Cash Equivalents *	\$ 5,045,191
Restricted Cash and Cash Equivalents	604,612
Total	<u>\$ 5,649,803</u>
Carrying Amounts of Deposits	<u>\$ 5,649,803</u>
Total	<u>\$ 5,649,803</u>

* Includes Petty Cash

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 4: RESTRICTED CASH

The Authority had the following restricted cash:

Housing Choice Voucher Housing Assistance Payment Balance	\$ 233,191
Tenant Security Deposits	220,658
Family Self-Sufficiency Escrow Balance	150,763
Total Restricted Cash	<u><u>\$ 604,612</u></u>

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 5,354,400	\$ -	\$ (557)	\$ 5,353,843
Construction in Progress	594,809	2,817,390	(3,383,231)	28,968
Total Capital Assets Not Being Depreciated	<u>5,949,209</u>	<u>2,817,390</u>	<u>(3,383,788)</u>	<u>5,382,811</u>
<i>Capital Asset Being Depreciated</i>				
Buildings	88,104,678	3,387,612	(6,652,744)	84,839,546
Office Equipment	1,299,069	11,279	(40,847)	1,269,501
Maintenance Equipment	473,838	14,945	-	488,783
Vehicles	382,747	-	(5,650)	377,097
Total Capital Asset Being Depreciated	<u>90,260,332</u>	<u>3,413,836</u>	<u>(6,699,241)</u>	<u>86,974,927</u>
Less Accumulated Depreciation				
Buildings	(66,399,228)	(2,592,857)	6,617,197	(62,374,888)
Office Equipment	(1,042,962)	(87,980)	40,847	(1,090,095)
Maintenance Equipment	(393,313)	(14,914)	-	(408,227)
Vehicles	(312,013)	(33,178)	5,650	(339,541)
Total Accumulated Depreciation	<u>(68,147,516)</u>	<u>(2,728,929)</u>	<u>6,663,694</u>	<u>(64,212,751)</u>
Total Capital Assets Being Depreciated, Net	<u>22,112,816</u>	<u>684,907</u>	<u>(35,547)</u>	<u>22,762,176</u>
Capital Assets, Net	<u><u>\$ 28,062,025</u></u>	<u><u>\$ 3,502,297</u></u>	<u><u>\$ (3,419,335)</u></u>	<u><u>\$ 28,144,987</u></u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 6: DEBT AND LEASE OBLIGATIONS

Long-Term Debt

Mortgage Loan

On April 4, 2012, a loan agreement in the amount of \$2,000,000 with Lorain National Bank was executed for the purpose of providing funds to call outstanding LCEHC bonds (stated rate of 6.375 percent). The loan is payable in monthly installments of \$26,040 from July through May, including interest at 5.75 percent for the period and \$26,621 for June, including interest at 6.742%..

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

Fiscal Year	Principal Amount	Interest Amount	Total Amount	Interest Rate (%)
2018	271,694	47,758	319,452	6.742%
2019	290,859	28,593	319,452	6.742%
2020	258,846	8,235	267,081	6.742%
	<u>\$ 821,399</u>	<u>\$ 84,586</u>	<u>\$ 905,985</u>	

A reconciliation of long-term liabilities is shown below:

	Balance July 1, 2016	Additions	Retired	Balance June 30, 2017	Due Within One Year
Mortgage Loan	\$ 1,077,005	\$ 1,657	\$ 257,263	\$ 821,399	\$ 271,694
Compensated Absences	714,678	467,904	552,751	629,831	332,630
FSS Escrows	128,410	146,208	123,856	150,762	-
Net Pension Liability	6,348,032	1,758,150	-	8,106,182	-
Total	<u>\$ 8,268,125</u>	<u>\$ 2,373,919</u>	<u>\$ 933,870</u>	<u>\$ 9,708,174</u>	<u>\$ 604,324</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, 2017.

Lease Obligations

The Authority did not lease office equipment in the fiscal year ended June 30, 2017.

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

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

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, 2017, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2017 was 14.0 percent of covered payroll, 12% was used for pension contributions for July thru December of 2016 and 13% for January thru June of 2017.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2017, 2016 and 2015 were \$614,841, \$587,212, and \$573,626 respectively. All required payments of contributions have been made through June 30, 2017.

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, 2016, 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 Traditional Pension Plan</u>	<u>OPERS Combined Pension Plan</u>
Proportionate Share of the Net Pension Liability/Asset	\$ 8,106,182	\$ (28,813)
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.036793%	0.051330%
Proportion of the Net Pension Liability/Asset Current Measurement Date	<u>0.035697%</u>	<u>0.051769%</u>
Change in Proportionate Percentage	<u><u>-0.001096%</u></u>	<u><u>0.000439%</u></u>
Pension Expense For the Year Ended June 30, 2017	\$ 1,720,960	\$ 20,817

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, 2017
(CONTINUED)**

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 1,207,196	\$ 7,031
Changes in assumptions	1,285,738	7,022
Differences between expected and actual experience	10,987	-
Changes in proportion and differences between authority contributions and proportionate share of contributions	22,652	598
Authority contributions subsequent to the measurement date	294,677	12,868
Total Deferred Outflows of Resources	<u>\$ 2,821,250</u>	<u>\$ 27,519</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 48,243	\$ 14,737
Changes in proportion and differences between authority contributions and proportionate share of contributions	100,043	396
Total Deferred Inflows of Resources	<u>\$ 148,286</u>	<u>\$ 15,133</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, 2018. 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 Ending June 30:	OPERS Traditional Pension Plan	OPERS Combined Pension Plan
2018	\$ 981,736	\$ 1,396
2019	1,006,630	1,397
2020	425,307	1,093
2021	(35,386)	(1,399)
2022	-	(1,136)
Thereafter	-	(1,833)
	<u>\$ 2,378,287</u>	<u>\$ (482)</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

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

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, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuations are presented below:

Actuarial Information	Traditional Pension Plan	Combined Pension Plan
Valuation Date	December 31, 2016	December 31, 2016
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)	3.25% - 8.05% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed 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 contractually required rates, as actuarially determined. 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 the Traditional Pension Plan, Combined Plan and Member-Directed 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 7.5%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

<u>Authority's proportionate share of the net pension liability</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Traditional Pension Plan	\$ 12,384,003	\$ 8,106,182	\$ 4,541,372
Combined Plan	\$ 2,071	\$ (28,813)	\$ (52,804)

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 for 2016 and the long-term expected real rates of return.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average long- Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.75%
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	<u>100%</u>	<u>5.66%</u>

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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolios and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolios on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolios on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

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 2015 CAFR for details.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 8: POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS 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 OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, 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.

Each year, the OPERS Board 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 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

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, 2017, 2016, and 2015 which were used to fund postemployment benefits, were \$74,144, \$97,869, and \$95,604, respectively.

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	\$ 151,556,082
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

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 9: **INSURANCE COVERAGE** (Continued)

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

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

NOTE 10: **RESTRICTED NET POSITION**

The Housing Choice Voucher Program requires that the equity portion attributable to the excess housing Assistance payments be reflected as restricted net assets. The corresponding funds are reflected in the restricted cash accounts.

Restricted Housing Choice Voucher Housing Assistance	
Money Market Accounts(HAP Portion)	\$ 233,191
Total	<u>\$ 233,191</u>

NOTE 11: **CONCENTRATIONS**

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

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, 2017.

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 13: 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 14: BLENDED COMPONENT UNITS

As of June 30, 2017, the condensed Statement of Net Position for the blended component unit (LCEHC) is as follows:

<u>Assets</u>	
Current Assets	\$ 1,072,042
Noncurrent Assets	155,425
Non-depreciable capital assets	<u>2,804,025</u>
Total Assets	<u>\$ 4,031,492</u>
 <u>Liabilities</u>	
Current Liabilities	\$ 392,822
Noncurrent Liabilities	<u>1,014,755</u>
Total Liabilities	<u>1,407,577</u>
 <u>Net Position</u>	
Net Investment in Capital Assets	1,982,626
Unrestricted	<u>641,289</u>
Total Net Position	<u>\$ 2,623,915</u>

As of June 30, 2017, 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 FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

NOTE 14: **BLENDED COMPONENT UNITS** (Continued)

Operating Revenue	
Total Tenant Revenue	\$ 644,820
HUD PHA Operating Grants	861,296
Other Revenue	29,793
Total Operating Revenue	<u>1,535,909</u>
Operating Expenses	
Depreciation	334,406
Other Operating Expenses	1,199,248
Total Operating Expenses	<u>1,533,654</u>
Operating Income	<u>2,255</u>
Nonoperating Revenue(Expense)	
Investment Income-Unrestricted	4,676
Interest Expense	(56,983)
Total Nonoperating Revenue(Expense)	<u>(52,307)</u>
Changes in Net Position	(50,052)
Beginning Net Position	<u>2,673,967</u>
Ending Net Position	<u>\$ 2,623,915</u>

As of June 30, 2017, the condensed Statement of Cash Flows for the blended component unit is as follows:

Net Cash Provided by Operating Activities	\$ 306,367
Net Cash Used in Investing Activities	491,365
Net Cash Used in Financing Activities	(255,606)
Net Increase(Decrease) in Cash and Cash Equivalents	<u>542,126</u>
Beginning Cash and Cash Equivalents	<u>473,794</u>
Ending Cash and Cash Equivalents	<u>\$ 1,015,920</u>

LORAIN METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2017

Ohio Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.035697%	0.036793%	0.036427%	3.642700%
Authority's proportion of the net pension liability (asset) (percentage) - Combined Plan	0.051769%	0.051330%	5.302300%	0.053023%
Authority's proportionate share of the net pension liability (asset) - Traditional Plan	\$ 8,106,182	\$ 6,373,011	\$ 4,393,503	\$ 4,294,269
Authority's proportionate share of the net pension liability (asset) - Combined Plan	\$ (28,813)	\$ (24,979)	\$ (20,415)	\$ (5,564)
Authority's covered-employee payroll	\$ 4,941,782	\$ 4,839,375	\$ 4,700,922	\$ 4,658,323
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	163.45%	131.17%	93.03%	92.07%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	77.25%	81.08%	86.45%	86.36%
Plan fiduciary net position as a percentage of the total pension liability (Combined Plan)	116.55%	116.90%	114.83%	104.56%

*Information prior to 2013 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, 2017 through 2008**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 614,841	\$ 587,212	\$ 573,626	\$ 583,732	\$ 534,741	\$ 475,282	\$ 417,057	\$ 377,835	\$ 309,033	\$ 291,914
Contributions in Relation to the Contractually Required Contribution	614,841	587,212	573,626	583,732	534,741	475,282	417,057	377,835	309,033	291,914
Contribution Deficit (Surplus)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 4,921,320	\$ 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
Contributions as a Percentage of Covered-Employee Payroll	12.49%	12.00%	12.00%	12.50%	11.49%	10.00%	9.19%	8.75%	7.75%	7.43%

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	\$ -	\$20,516,830
Public Housing - Operating Subsidy	14.850	N/A	-	6,126,650
Public Housing Capital Fund Program	14.872	N/A	-	3,572,250
Section 8 New Construction	14.182	LCEHC	861,296	861,296
Resident Opportunity and Supportive Services Grant	14.870	N/A	-	60,226
Family Self-Sufficiency Program Coordinators	14.896	N/A	-	129,081
Total U.S. Department of Housing and Urban Development			<u>861,296</u>	<u>31,266,333</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 861,296</u>	<u>\$31,266,333</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$3,291,004			\$173,053	\$958,714	\$157,196	\$465,224	\$5,045,191		\$5,045,191
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	\$74,182			\$309,772				\$383,954		\$383,954
114 Cash - Tenant Security Deposits	\$153,287				\$57,206	\$10,165		\$220,658		\$220,658
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$3,518,473	\$0	\$0	\$482,825	\$1,015,920	\$167,361	\$465,224	\$5,649,803	\$0	\$5,649,803
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$51,539	\$18,543	\$6,192					\$76,274		\$76,274
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous				\$3,546		\$15,883	\$9,350	\$28,779		\$28,779
126 Accounts Receivable - Tenants	\$18,962				\$1,855			\$20,817		\$20,817
126.1 Allowance for Doubtful Accounts - Tenants	-\$969				-\$36			-\$905		-\$905
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$31,743				\$506			\$32,249		\$32,249
128 Fraud Recovery	\$44,990			\$63,901	\$8,905			\$117,796		\$117,796
128.1 Allowance for Doubtful Accounts - Fraud	-\$3,338			-\$15,973	-\$159			-\$19,470		-\$19,470
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$143,027	\$18,543	\$6,192	\$51,474	\$11,071	\$15,883	\$9,350	\$255,540	\$0	\$255,540
131 Investments - Unrestricted										
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$50,981			\$3,232	\$27,506	\$395	\$3,488	\$85,602		\$85,602
143 Inventories	\$101,870				\$18,671		\$19,366	\$139,907		\$139,907
143.1 Allowance for Obsolete Inventories	-\$6,309				-\$1,126		-\$1,195	-\$8,630		-\$8,630
144 Inter Program Due From						\$22,176		\$22,176	-\$22,176	\$0
145 Assets Held for Sale										
150 Total Current Assets	\$3,808,042	\$18,543	\$6,192	\$537,531	\$1,072,042	\$205,815	\$496,233	\$6,144,398	-\$22,176	\$6,122,222
161 Land	\$4,532,801			\$69,400	\$333,878	\$417,764		\$5,353,843		\$5,353,843
162 Buildings	\$72,637,465			\$1,010,838	\$9,212,841	\$705,176	\$1,273,226	\$84,839,546		\$84,839,546
163 Furniture, Equipment & Machinery - Dwellings	\$433,278				\$228,415		\$204,187	\$865,880		\$865,880
164 Furniture, Equipment & Machinery - Administration	\$126,030		\$1,148	\$452,644	\$52,906	\$27,286	\$609,487	\$1,269,501		\$1,269,501
165 Leasehold Improvements										
166 Accumulated Depreciation	-\$54,130,359		-\$1,148	-\$999,341	-\$7,024,015	-\$324,902	-\$1,732,986	-\$64,212,751		-\$64,212,751
167 Construction in Progress	\$28,968							\$28,968		\$28,968
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$23,628,183	\$0	\$0	\$533,541	\$2,804,025	\$825,324	\$353,914	\$28,144,987	\$0	\$28,144,987
171 Notes, Loans and Mortgages Receivable - Non-Current	\$1,563,816							\$1,563,816		\$1,563,816
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets	\$14,215			\$4,952	\$1,558		\$8,088	\$28,813		\$28,813
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$25,206,214	\$0	\$0	\$538,493	\$2,805,583	\$825,324	\$362,002	\$29,737,616	\$0	\$29,737,616
200 Deferred Outflow of Resources	\$1,408,774			\$488,500	\$153,867		\$797,628	\$2,848,769		\$2,848,769
290 Total Assets and Deferred Outflow of Resources	\$30,423,030	\$18,543	\$6,192	\$1,564,524	\$4,031,492	\$1,031,139	\$1,655,863	\$38,730,783	-\$22,176	\$38,708,607

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE BALANCE SHEET SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14,896 PIH Family Self-Sufficiency Program	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$21,915				\$30		\$777	\$22,722		\$22,722
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$44,207	\$1,926	\$633	\$15,045	\$4,127		\$24,603	\$90,541		\$90,541
322 Accrued Compensated Absences - Current Portion	\$141,254			\$51,448	\$11,704		\$128,224	\$332,630		\$332,630
324 Accrued Contingency Liability										
325 Accrued Interest Payable					\$4,000			\$4,000		\$4,000
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$3,938				\$26,704			\$30,642		\$30,642
341 Tenant Security Deposits	\$141,610				\$54,435	\$3,645		\$199,690		\$199,690
342 Unearned Revenue										
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$271,694			\$271,694		\$271,694
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities							\$500	\$500		\$500
346 Accrued Liabilities - Other	\$137,403			\$19,696	\$20,128	\$2,513	\$9,126	\$188,866		\$188,866
347 Inter Program - Due To		\$16,617	\$5,559					\$22,176	-\$22,176	\$0
348 Loan Liability - Current										
310 Total Current Liabilities	\$490,327	\$18,543	\$6,192	\$86,189	\$392,822	\$6,158	\$163,230	\$1,163,461	-\$22,176	\$1,141,285
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$549,705			\$549,705		\$549,705
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	\$74,181			\$76,581				\$150,762		\$150,762
354 Accrued Compensated Absences - Non Current	\$81,168			\$77,538	\$1,903		\$136,593	\$297,202		\$297,202
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	\$3,999,067			\$1,393,169	\$438,408		\$2,275,538	\$8,106,182		\$8,106,182
350 Total Non-Current Liabilities	\$4,154,416	\$0	\$0	\$1,547,288	\$990,016	\$0	\$2,412,131	\$9,103,851	\$0	\$9,103,851
300 Total Liabilities	\$4,644,743	\$18,543	\$6,192	\$1,633,477	\$1,382,838	\$6,158	\$2,575,361	\$10,267,312	-\$22,176	\$10,245,136
400 Deferred Inflow of Resources	\$65,365			\$40,056	\$24,739		\$33,259	\$163,419		\$163,419
508.4 Net Investment in Capital Assets	\$23,628,183			\$533,541	\$1,982,626	\$825,324	\$353,914	\$27,323,588		\$27,323,588
511.4 Restricted Net Position				\$233,191				\$233,191		\$233,191
512.4 Unrestricted Net Position	\$2,084,739	\$0	\$0	-\$875,741	\$841,289	\$199,657	-\$1,306,671	\$743,273		\$743,273
513 Total Equity - Net Assets / Position	\$25,712,922	\$0	\$0	-\$109,009	\$2,623,915	\$1,024,981	-\$952,757	\$28,300,052	\$0	\$28,300,052
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$30,423,030	\$18,543	\$6,192	\$1,564,524	\$4,031,492	\$1,031,139	\$1,655,863	\$38,730,783	-\$22,176	\$38,708,607

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,051,099				\$630,797	\$41,804		\$2,723,700		\$2,723,700
70400 Tenant Revenue - Other	\$235,905				\$14,023	\$542		\$250,470		\$250,470
70500 Total Tenant Revenue	\$2,287,004	\$0	\$0	\$0	\$644,820	\$42,346	\$0	\$2,974,170	\$0	\$2,974,170
70600 HUD PHA Operating Grants	\$7,020,491	\$129,081	\$60,226	\$20,516,830	\$861,296			\$28,587,924		\$28,587,924
70610 Capital Grants	\$2,678,410							\$2,678,410		\$2,678,410
70710 Management Fee							\$1,529,945	\$1,529,945	-\$1,529,945	\$0
70720 Asset Management Fee							\$169,780	\$169,780	-\$169,780	\$0
70730 Book Keeping Fee							\$357,019	\$357,019	-\$357,019	\$0
70740 Front Line Service Fee							\$82,939	\$82,939	-\$82,939	\$0
70750 Other Fees										
70700 Total Fee Revenue							\$2,139,683	\$2,139,683	-\$2,139,683	\$0
70800 Other Government Grants										
71100 Investment Income - Unrestricted	\$16,810			\$373	\$4,676	\$1,074	\$1,722	\$24,655		\$24,655
71200 Mortgage Interest Income	\$16,069							\$16,069		\$16,069
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery	\$68,568			\$111,376	\$9,410			\$189,354		\$189,354
71500 Other Revenue	\$256,800			\$11,560	\$20,383	\$26,425	\$98,745	\$413,913	-\$24,000	\$389,913
71600 Gain or Loss on Sale of Capital Assets	-\$35,827						\$2,010	-\$33,817		-\$33,817
72000 Investment Income - Restricted				\$117				\$117		\$117
70000 Total Revenue	\$12,308,325	\$129,081	\$60,226	\$20,640,256	\$1,540,585	\$69,845	\$2,242,160	\$36,990,478	-\$2,163,683	\$34,826,795
91100 Administrative Salaries	\$1,139,024			\$800,414	\$162,487		\$1,188,961	\$3,290,886		\$3,290,886
91200 Auditing Fees	\$7,992			\$7,992	\$3,998		\$185	\$20,165		\$20,165
91300 Management Fee	\$1,055,111			\$368,646	\$106,188			\$1,529,945	-\$1,529,945	\$0
91310 Book-keeping Fee	\$126,256			\$230,404	\$360			\$357,020	-\$357,020	\$0
91400 Advertising and Marketing	\$2,100			\$5,693	\$13,162	\$400	\$20,620	\$41,975		\$41,975
91500 Employee Benefit contributions - Administrative	\$510,598			\$371,311	\$67,530		\$429,580	\$1,379,009		\$1,379,009
91600 Office Expenses	\$275,059			\$122,354	\$41,541	\$19,639	\$229,473	\$688,066		\$688,066
91700 Legal Expense	\$154,521			\$56,043	\$7,182	\$384	\$18,695	\$236,825		\$236,825
91800 Travel	\$809			\$446	\$331		\$1,253	\$2,839		\$2,839
91810 Allocated Overhead										
91900 Other	\$18,406		\$13,383	\$6,587	\$3,471	\$612	\$35,917	\$78,376	-\$24,000	\$54,376
91000 Total Operating - Administrative	\$3,289,866	\$0	\$13,383	\$1,869,890	\$406,248	\$21,035	\$1,924,684	\$7,625,106	-\$1,910,965	\$5,714,141
92000 Asset Management Fee	\$169,300				\$480			\$169,780	-\$169,780	\$0
92100 Tenant Services - Salaries	\$87,814	\$89,845	\$33,477	\$10,326	\$12,064			\$233,526		\$233,526
92200 Relocation Costs	\$39,956							\$39,956		\$39,956
92300 Employee Benefit Contributions - Tenant Services	\$42,547	\$39,236	\$13,366	\$12,960	\$5,460			\$113,569		\$113,569
92400 Tenant Services - Other	\$34,268				\$359			\$34,627		\$34,627
92500 Total Tenant Services	\$204,585	\$129,081	\$46,843	\$23,286	\$17,883	\$0	\$0	\$421,678	\$0	\$421,678
93100 Water	\$491,141				\$988	\$52,781	\$2,301	\$53		\$547,743
93200 Electricity	\$415,286				\$22,021	\$193,346	\$5,733	\$11,857		\$648,243
93300 Gas	\$215,255				\$7,733	\$682	\$7,072	\$4,164		\$234,906
93400 Fuel										
93500 Labor										
93600 Sewer	\$638,147			\$1,031	\$74,514	\$2,627	\$555	\$716,874		\$716,874
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	\$1,759,829	\$0	\$0	\$31,773	\$321,323	\$17,733	\$17,108	\$2,147,766	\$0	\$2,147,766
94100 Ordinary Maintenance and Operations - Labor	\$1,052,478				\$73,656	\$2,910	\$88,626	\$1,217,670		\$1,217,670
94200 Ordinary Maintenance and Operations - Materials and Other	\$404,312				\$2,796	\$45,538	\$3,317	\$473,123		\$473,123
94300 Ordinary Maintenance and Operations Contracts	\$1,176,230			\$3,324	\$129,551	\$15,903	\$56,630	\$1,381,638	-\$82,938	\$1,298,700
94500 Employee Benefit Contributions - Ordinary Maintenance	\$454,164				\$38,351	\$1,139	\$43,342	\$536,996		\$536,996
94000 Total Maintenance	\$3,087,184	\$0	\$0	\$6,120	\$287,096	\$23,269	\$205,758	\$3,609,427	-\$82,938	\$3,526,489

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	1 Business Activities	COCC	Subtotal	ELIM	Total
95100 Protective Services - Labor	\$47,898				\$6,920		\$2,978	\$57,796		\$57,796
95200 Protective Services - Other Contract Costs	\$253,309				\$10,221			\$263,530		\$263,530
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services	\$14,034				\$2,027		\$872	\$16,933		\$16,933
95000 Total Protective Services	\$315,241	\$0	\$0	\$0	\$19,168	\$0	\$3,850	\$338,259	\$0	\$338,259
96110 Property Insurance	\$211,819			\$2,902	\$14,753	\$1,461	\$369	\$231,304		\$231,304
96120 Liability Insurance	\$55,412			\$13,741	\$8,594	\$901	\$600	\$79,248		\$79,248
96130 Workmen's Compensation	\$26,939			\$9,300	\$3,026		\$15,889	\$55,154		\$55,154
96140 All Other Insurance	\$46,342			\$5,333	\$6,188		\$23,697	\$81,560		\$81,560
96100 Total Insurance Premiums	\$340,512	\$0	\$0	\$31,276	\$32,561	\$2,362	\$40,555	\$447,266	\$0	\$447,266
96200 Other General Expenses	\$769,919			\$203,594	\$62,005	\$1,025	\$316,503	\$1,353,046		\$1,353,046
96210 Compensated Absences	\$1,955							\$1,955		\$1,955
96300 Payments in Lieu of Taxes	\$3,938				\$26,704			\$30,642		\$30,642
96400 Bad debt - Tenant Rents	\$129,951			\$26,228	\$11,621	\$1,674		\$169,474		\$169,474
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense							\$43,662	\$43,662		\$43,662
96000 Total Other General Expenses	\$905,763	\$0	\$0	\$229,822	\$100,330	\$2,699	\$360,165	\$1,598,779	\$0	\$1,598,779
96710 Interest of Mortgage (or Bonds) Payable					\$56,983			\$56,983		\$56,983
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	\$56,983	\$0	\$0	\$56,983	\$0	\$56,983
96900 Total Operating Expenses	\$10,072,280	\$129,081	\$60,226	\$2,292,167	\$1,242,072	\$67,098	\$2,552,120	\$16,415,044	-\$2,163,683	\$14,251,361
97000 Excess of Operating Revenue over Operating Expenses	\$2,236,045	\$0	\$0	\$18,348,089	\$298,513	\$2,747	-\$309,960	\$20,575,434	\$0	\$20,575,434
97100 Extraordinary Maintenance	\$349,847				\$4,545	\$2,030	\$3,150	\$359,572		\$359,572
97200 Casualty Losses - Non-capitalized	\$64,239				\$9,614			\$73,853		\$73,853
97300 Housing Assistance Payments				\$18,349,870				\$18,349,870		\$18,349,870
97350 HAP Portability-In										
97400 Depreciation Expense	\$2,217,453			\$77,616	\$334,406	\$35,145	\$64,307	\$2,728,927		\$2,728,927
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$12,703,819	\$129,081	\$60,226	\$20,719,653	\$1,590,637	\$104,273	\$2,619,577	\$37,927,266	-\$2,163,683	\$35,763,583
10010 Operating Transfer In	\$953,000			\$50,000			\$75,000	\$1,078,000	-\$1,078,000	\$0
10020 Operating transfer Out	-\$953,000					-\$75,000	-\$50,000	-\$1,078,000	\$1,078,000	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$50,000	\$0	-\$75,000	\$25,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$395,494	\$0	\$0	-\$29,397	-\$50,052	-\$109,428	-\$352,417	-\$936,788	\$0	-\$936,788
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$256,079	\$0	\$0	\$256,079		\$256,079
11030 Beginning Equity	\$26,108,416	\$0	\$0	-\$79,612	\$2,673,967	\$1,134,409	-\$600,340	\$29,236,840		\$29,236,840
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0							\$0		\$0
11170 Administrative Fee Equity				-\$342,200				-\$342,200		-\$342,200
11180 Housing Assistance Payments Equity				\$233,191				\$233,191		\$233,191
11190 Unit Months Available	16843			37092	2448	84		56467		56467
11210 Number of Unit Months Leased	16454			36572	2404	74		55504		55504
11270 Excess Cash	\$2,294,855							\$2,294,855		\$2,294,855
11610 Land Purchases	\$0						\$0	\$0		\$0
11620 Building Purchases	\$2,678,410						\$0	\$2,678,410		\$2,678,410

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF MODERNIZATION COSTS - COMPLETED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Note A	Note B	Note C	Note D
	OH012FSH415A015	OH12P01250113	OH12P01250114	OH12P01250115
Description	ROSS Grant	Capital Fund Grant	Capital Fund Grant	Capital Fund Grant
Funds Approved - Latest Budget	\$ 111,120	\$ 1,807,116	\$ 2,029,201	\$ 2,041,652
Funds Advanced	111,120	1,807,116	2,029,201	2,041,652
Funds Expended	111,120	1,807,116	2,029,201	2,041,652
Difference Between Funds Advanced and Funds Expended	\$ 0	\$ 0	\$ 0	\$ 0

Note A: This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2017.

Note B: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2017.

Note C: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2017.

Note D: This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2017.

**LORAIN METROPOLITAN HOUSING AUTHORITY
LORAIN COUNTY, OHIO
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The Lorain Metropolitan Housing Authority had a total of 4,655 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	1,353	1,321
Section 8 vouchers	3,091	3,048
General fund (not HUD funded)	7	6
Total	<u>4,451</u>	<u>4,375</u>
Lorain County Elderly Housing Corporation		
Section 8 new construction	<u>204</u>	<u>200</u>
Total LMHA and LCEHC	<u><u>4,655</u></u>	<u><u>4,575</u></u>

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

December 15, 2017

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, 2017, 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 15, 2017.

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 a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated December 15, 2017.

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 EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 15, 2017

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

To the Board of Commissioners:

Report on Compliance for Each 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 programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal programs.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 programs. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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 programs, 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 FISCAL YEAR ENDED JUNE 30, 2017**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Public Housing – Operating Subsidy CFDA # 14.850 Public Housing Capital Fund Program CFDA # 14.872
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 937,990 Type B: all others
(d)(1)(ix)	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 METROPOLITAN HOUSING AUTHORITY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2018**