

**LORAIN METROPOLITAN  
HOUSING AUTHORITY  
LORAIN COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2019**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**



OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Lorain Metropolitan Housing Authority, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2018 through June 30, 2019. 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 cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

November 15, 2019

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**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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# JAMES G. ZUPKA, C.P.A., INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board  
Lorain Metropolitan Housing Authority  
Lorain, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Lorain Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 30, 2019, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lorain Metropolitan Housing Authority as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with 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 that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Units Under LMHA Management are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 basic financial statements.



The Statement of Modernization Cost - Completed, the Financial Data Schedules, the Schedule of Units Under LMHA Management, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - Completed, the Financial Data Schedules, the Schedule of Units Under LMHA Management, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

October 16, 2019

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**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(Unaudited)**

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

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

### **FINANCIAL HIGHLIGHTS**

- The net position decreased by \$2,080,297 or 9.2 percent, during 2019. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net position. Net position was \$20,468,912 and \$22,549,209 for 2019 and 2018, respectively.
- The business-type activities' revenue increased by \$1,542,871 or 4.8 percent, during 2018 and was \$33,962,451 and \$32,419,580 for 2019 and 2018, respectively.
- The total expenses increased by \$1,430,924 or 4.1 percent. Total expenses were \$36,042,748 and \$34,611,824 for 2019 and 2018, 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 position that does 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.

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(Unaudited)**

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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.

**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, 2019  
(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 - Condensed Statement of Net Position Compared to Prior Year**

	2019	2018
<b><u>Assets and Deferred Outflows of Resources</u></b>		
<b><u>Assets</u></b>		
Current and Other Assets	\$ 6,513,761	\$ 6,259,186
Capital Assets	25,085,375	26,288,101
Other Non-Current Assets	1,660,116	1,655,776
<b>Total Assets</b>	<b>33,259,252</b>	<b>34,203,063</b>
<b>Deferred Outflows of Resources</b>	<b>2,674,197</b>	<b>1,262,307</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 35,933,449</b>	<b>\$ 35,465,370</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Net Position</u></b>		
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 1,194,762	\$ 1,183,367
Long-Term Liabilities	13,665,492	9,879,604
<b>Total Liabilities</b>	<b>14,860,254</b>	<b>11,062,971</b>
<b>Deferred Inflows of Resources</b>	<b>604,183</b>	<b>1,853,190</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	24,826,529	25,738,396
Restricted	19,900	102,512
Unrestricted	(4,377,517)	(3,291,699)
<b>Total Net Position</b>	<b>20,468,912</b>	<b>22,549,209</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 35,933,349</b>	<b>\$ 35,465,370</b>

**Major Factors Affecting the Statement of Net Position**

Current and other assets were increased by \$254,575, while current liabilities were increased by \$11,495. Current assets, primarily cash and investments, increased due to the timing of funding at the end of fiscal year 2019. Current liabilities increased primarily due to the timing of accrued expenses at the end of fiscal year 2019.

Capital assets decreased by \$1,202,726 from \$26,288,101 to \$25,085,375. For more detail, see the section Capital Assets and Debt Administration.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)**

**Table 2 - Statement of Unrestricted Net Position**

Unrestricted Net Position at June 30, 2018	\$ (3,291,699)
Results of Operations	(2,080,297)
Adjustments:	
Depreciation (1)	2,421,247
Net Change in Restricted Assets (2)	82,612
Net Change in Capital Assets (3)	(1,218,521)
Debt Principal Payments (3)	(290,859)
Ending Balance - June 30, 2019	<u><u>\$ (4,377,517)</u></u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.
- (2) The use of the Housing Choice Voucher Housing Assistance Payment balance from fiscal year 2018 for fiscal year 2019 expenses.
- (3) Capital expenditures and debt service principal payments represent an outflow of unrestricted net position, but are not treated as an expense against results of operations, and therefore must be deducted.

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**

	2019	2018
<b><u>Revenues</u></b>		
Tenant Revenue - Rents and Other	\$ 3,014,791	\$ 2,962,171
Operating Subsidies and Grants	29,730,020	28,251,048
Capital Grants	662,969	606,038
Investment Income	80,903	68,533
Other Revenues	473,768	531,790
<b>Total Revenues</b>	<u>33,962,451</u>	<u>32,419,580</u>
<b><u>Expenses</u></b>		
Administrative	5,365,823	5,366,724
Tenant Services	339,585	366,868
Utilities	2,412,018	2,239,147
Maintenance	3,468,398	3,339,638
Protective Services	269,349	332,461
General	2,637,027	2,079,236
Housing Assistance Payments	19,129,301	18,265,980
Depreciation	2,421,247	2,621,770
<b>Total Expenses</b>	<u>36,042,748</u>	<u>34,611,824</u>
<b>Net Increase (Decrease)</b>	<u><u>\$ (2,080,297)</u></u>	<u><u>\$ (2,192,244)</u></u>

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)**

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

Total revenues increased by \$1,542,871. This increase decrease is primarily the result of increased funding in the Housing Choice Voucher program.

Total expenses increased by \$1,430,924. This increase is primarily the result of increased housing assistance payments under the Housing Choice Voucher program and general expense category which fluctuates with pension/OPEB expense required by GASB 68 and GASB 75.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the Authority had \$25,085,375 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, depreciation and the removal of fully depreciated improvements as a result of a review of replaced improvements) of \$1,202,726 from the end of last year.

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

	2019	2018
Land	\$ 5,353,843	\$ 5,353,843
Buildings	86,184,458	85,335,227
Office Equipment	1,328,281	1,265,780
Maintenance Equipment/Vehicles	904,144	904,144
Construction-in-Progress	453,000	181,594
Total	94,223,726	93,040,588
Less: Accumulated Depreciation	(69,138,351)	(66,752,487)
<b>Total</b>	<b>\$ 25,085,375</b>	<b>\$ 26,288,101</b>

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, 2019**

	2019
Beginning Balance - July 1, 2018	\$ 26,288,101
Additions	1,630,623
Retirements, Net of Depreciation	(412,102)
Depreciation	(2,421,247)
Ending Balance - June 30, 2019	<u>\$ 25,085,375</u>
This Year's Major Additions are:	
Building Improvements and Construction-in-Progress	\$ 1,537,759
Equipment Purchase	92,864
Total Major Additions	<u>\$ 1,630,623</u>

See Note 5 for additional information on capital assets.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Unaudited)**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION** (Continued)

**Debt Outstanding**

As of the year-end, the Authority's component unit had \$258,846 in debt outstanding compared to \$549,705 last year, a \$290,859 decrease. No other debt was outstanding.

**Table 6 - Outstanding Debt at Year-End**

	2019	2018
Refinance of Construction and Acquisition	\$ 549,705	\$ 821,399
Less: Current Portion	(290,859)	(271,694)
<b>Total Outstanding Debt</b>	<b>\$ 258,846</b>	<b>\$ 549,705</b>

See Note 6 for additional information on debt.

During fiscal year ending June 30, 2019, the Authority's net pension and other post-employment benefits obligation increased by \$4,070,700 due to GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

Additional information on the Authority's long-term debt can be found on pages 22 through 34 of this report.

**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, 2019**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Assets**

**Current Assets**

Cash and Cash Equivalents:

Cash and Cash Equivalents	\$ 3,530,686
Cash - Restricted	158,368
Cash - Tenant Security Deposits	221,099
Total Cash and Cash Equivalents	3,910,153

Accounts and Notes Receivable:

Accounts Receivable - HUD Other Projects	151,918
Accounts Receivable - Miscellaneous	24,764
Accounts Receivable - Tenants, Net	24,806
Notes, Loans, and Mortgages Receivable - Current	19,506
Fraud Recovery Receivable, Net	76,350
Accrued Interest Receivable	14,332
Total Accounts and Notes Receivable	311,676

Other Current Assets:

Investments - Unrestricted	2,000,000
Inventories, Net	152,723
Prepaid Expenses and Other Assets	139,209
Total Other Current Assets	2,291,932

**Total Current Assets**

6,513,761

**Non-Current Assets**

Capital Assets:

Non-Depreciable Capital Assets	5,806,843
Depreciable Capital Assets, Net	19,278,532
Total Capital Assets	25,085,375

Other Non-Current Assets:

Net Pension Asset	63,659
Notes, Loans, and Mortgages Receivable, Non-Current	1,596,457
Total Other Non-Current Assets	1,660,116

**Total Non-Current Assets**

26,745,491

**Total Assets**

33,259,252

**Deferred Outflows of Resources**

Pension	2,337,244
OPEB	336,953
<b>Total Deferred Outflows of Resources</b>	2,674,197

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

\$ 35,933,449

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

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2019  
(CONTINUED)**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

**Liabilities**

**Current Liabilities**

Accounts Payable	\$ 33,054
Accrued Wages and Payroll Taxes	116,637
Accrued Compensated Absences	328,082
Accrued Interest Payable	1,260
Due to Other Governments	35,675
Tenant Security Deposits	198,498
Current Portion of Long-Term Debt	258,846
Other Current Liabilities	222,810
<b>Total Current Liabilities</b>	<b>1,194,862</b>

**Non-Current Liabilities**

Accrued Compensated Absences	307,682
Non-Current Liabilities-FSS Escrow and Others	138,468
Net Pension Liability	8,948,472
Net OPEB Liability	4,270,870
<b>Total Non-Current Liabilities</b>	<b>13,665,492</b>
<b>Total Liabilities</b>	<b>14,860,354</b>

**Deferred Inflows of Resources**

Pension	418,213
OPEB	185,970
<b>Total Deferred Inflow of Resources</b>	<b>604,183</b>

**Net Position**

Net Investment in Capital Assets	24,826,529
Restricted	19,900
Unrestricted	(4,377,517)
<b>Total Net Position</b>	<b>20,468,912</b>

<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 35,933,449</b>
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The accompanying notes to the basic financial statements are an integral part of these statements.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b><u>Operating Revenues</u></b>	
Net Tenant Rental Revenue	\$ 2,774,625
Tenant Revenue - Other	240,166
Total Tenant Revenue	<u>3,014,791</u>
HUD PHA Operating Grants	29,730,020
Fraud Recovery	166,122
Other Revenue	307,646
<b>Total Operating Revenues</b>	<u><u>33,218,579</u></u>
<b><u>Operating Expenses</u></b>	
Administrative	5,365,823
Tenant Services	339,585
Utilities	2,412,018
Ordinary Maintenance and Operation	3,468,398
Protective Services	269,349
Insurance Premiums	495,839
Other General Expenses	1,744,193
Payments in Lieu of Taxes	35,187
Bad Debt	214,217
Extraordinary Maintenance	84,103
Casualty Losses - Non-Capitalized	36,311
Housing Assistance Payments	19,129,301
Depreciation Expense	2,421,247
<b>Total Operating Expenses</b>	<u><u>36,015,571</u></u>
Operating Loss	<u>(2,796,992)</u>
<b><u>Non-Operating Revenue (Expenses)</u></b>	
Investment Income - Unrestricted	80,903
Interest Expense	(27,177)
<b>Total Non-Operating Revenue (Expenses)</b>	<u><u>53,726</u></u>
(Loss) Before Capital Contributions and Grants	(2,743,266)
Capital Grants	<u>662,969</u>
<b>Change in Net Position</b>	<u>(2,080,297)</u>
Total Net Position - Beginning	<u>22,549,209</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 20,468,912</u></u>

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

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b><u>Cash Flows from Operating Activities</u></b>	
Tenant Revenue Received	\$ 3,011,324
Other Revenue Received	493,341
Government Operating Grants Received	29,732,179
Housing Assistance Payments	(19,129,301)
General and Administrative Expenses Paid	(13,053,835)
<b>Net Cash Used by Operating Activities</b>	<b><u>1,053,708</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Government Capital Grants Received	566,426
Purchases of Capital Assets	(1,218,521)
Total Payments to Retire Long-Term Debt	(319,453)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b><u>(971,548)</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Purchases of Investments	(2,000,000)
Interest Received	66,571
Issuance of Notes Receivable	(16,405)
<b>Net Cash Used by Investing Activities</b>	<b><u>(1,949,834)</u></b>
Increase (Decrease) in Cash and Cash Equivalents	<u>(1,867,674)</u>
Cash and Cash Equivalents - Beginning of Year	<u>5,777,827</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 3,910,153</u></b>
<b><u>Reconciliation of Operating Income to Net Cash Used by Operating Activities</u></b>	
Operating Income	<u>\$ (2,796,992)</u>
Adjustments to Change in Net Position:	
Add Back Non-Cash Items:	
Depreciation Expense	2,421,247
Decrease (Increase) in Operating Assets:	
Accounts Receivable	17,675
Prepaid Expenses	905
Inventory	(29,954)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(20,068)
Accrued Liabilities	1,472,194
Other Liabilities	(11,299)
Total Adjustments	<u>3,850,700</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ 1,053,708</u></b>

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

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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.

**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.

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(CONTINUED)**

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

**Blended Component Unit** (Continued)

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.

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(CONTINUED)**

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

**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.

**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.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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

**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	15 Years
Other Equipment	5 to 10 Years
Leasehold Improvements	15 Years

Only items with a unit cost of \$5,000 or more and a useful life greater than one year are capitalized and depreciated.

**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.



**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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

**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.

**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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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

**Deferred Outflows/Inflows of Resources** (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

**Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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 105 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 \$2,903,840 at June 30, 2019, which includes \$200 at June 30, 2019, of petty cash, and the bank balance was \$3,056,279 at June 30, 2019. The difference represents outstanding checks and other in-transit transactions of the bank balance. \$250,000 was covered by federal depository insurance and the remainder was covered by pledged securities held in joint custody at the Federal Reserve.

**Investments**

The Authority has adopted a formal investment policy in accordance with Section 135 of the Ohio Revised Code, the "Uniform Depository Act." Safety of principal is the foremost objective of the investment policy. Maintaining sufficient liquidity to meet the Authority's cash flow needs and return on investment are secondary goals of the policy. The Authority does not purchase any form of derivative.

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(CONTINUED)**

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

**Investments** (Continued)

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

Investments are held in certificates of deposit greater than 3 months but less than 1-year maturity. The carrying amount of the Authority's investment in certificates of deposits was \$2,000,000 at June at June 30, 2019.

At June 30, 2019, the Authority had \$1,006,313 of nonfederal funds 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. No federal funds are held at STAR Ohio.

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 Certain 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 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The Authority has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The chart on the next page identifies the Authority's recurring fair value measurements as of June 30, 2019. STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. All of the Authority's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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

**Investments** (Continued)

As of June 30, 2019, the Authority had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Negotiable CDs	\$ 2,000,000	12 months or less
Star Ohio	<u>1,006,313</u>	Weight average - 60 days
<b>Total Investments</b>	<b><u><u>\$ 3,006,313</u></u></b>	

**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's investments in certificates of deposits are covered by \$250,000 FDIC insurance and the balance is collateralized by pledged securities held in joint custody at the Federal Reserve Bank. The Authority's investments in STAR Ohio are rated AAAM by Standard and Poor's.

**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.

**Custodial Credit Risk**

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

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

Unrestricted Cash and Cash Equivalents *	\$ 3,530,686
Restricted Cash and Cash Equivalents	379,467
Unrestricted Investments	<u>2,000,000</u>
Total	<b><u><u>\$ 5,910,153</u></u></b>
Carrying Amounts of Deposits	\$ 2,903,840
Carrying Amounts of Investments	<u>3,006,313</u>
Total	<b><u><u>\$ 5,910,153</u></u></b>

\* Includes Petty Cash

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(CONTINUED)**

**NOTE 4: RESTRICTED CASH**

The Authority had the following restricted cash:

Housing Choice Voucher Housing Assistance Payment Balance	\$	19,900
Tenant Security Deposits		221,099
Family Self-Sufficiency Escrow Balance		138,468
<b>Total Restricted Cash</b>	<b>\$</b>	<b>379,467</b>

**NOTE 5: CAPITAL ASSETS**

The following is a summary of capital assets.

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
<i>Capital Asset Not being Depreciated</i>				
Land	\$ 5,353,843	\$ 0	\$ 0	\$ 5,353,843
Construction in Progress	181,594	683,481	(412,075)	453,000
<b>Total Capital Assets Not being Depreciated</b>	<b>5,535,437</b>	<b>683,481</b>	<b>(412,075)</b>	<b>5,806,843</b>
<i>Capital Assets Being Depreciated</i>				
Buildings	85,335,227	854,278	(5,047)	86,184,458
Office Equipment	1,265,780	92,864	(30,363)	1,328,281
Maintenance Equipment	529,799	0	0	529,799
Vehicles	374,345	0	0	374,345
<b>Total Capital Assets Being Depreciated</b>	<b>87,505,151</b>	<b>947,142</b>	<b>(35,410)</b>	<b>88,416,883</b>
<b>Less Accumulated Depreciation</b>				
Buildings	(64,883,138)	(2,335,350)	5,020	(67,213,468)
Office Equipment	(1,123,120)	(35,444)	30,363	(1,128,201)
Maintenance Equipment	(451,406)	(22,673)	0	(474,079)
Vehicles	(294,823)	(27,780)	0	(322,603)
<b>Total Accumulated Depreciation</b>	<b>(66,752,487)</b>	<b>(2,421,247)</b>	<b>35,383</b>	<b>(69,138,351)</b>
Total Capital Assets being Depreciated, Net	20,752,664	(1,474,105)	(27)	19,278,532
<b>Capital Assets, Net</b>	<b>\$ 26,288,101</b>	<b>\$ (790,624)</b>	<b>\$ (412,102)</b>	<b>\$ 25,085,375</b>

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

NOTE 6: **DEBT AND LEASE OBLIGATION**

**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 \$26,621 from July through April, including interest at 6.742 percent for the period with and a final payment of \$871 in May.

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>	<u>Interest Rate (%)</u>
2020	\$ 258,846	\$ 8,235	\$ 267,081	6.742%
	<u>\$ 258,846</u>	<u>\$ 8,235</u>	<u>\$ 267,081</u>	

A reconciliation of long-term liabilities is shown below:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Mortgage Loan	\$ 549,705	\$ 0	\$ 290,859	\$ 258,846	\$ 258,846
Compensated Absences	641,424	559,783	565,443	635,764	328,082
FSS Escrows	167,960	97,423	126,915	138,468	0
Net Pension Liability	5,403,282	3,545,190	0	8,948,472	0
Net OPEB Liability	3,745,360	525,510	0	4,270,870	0
<b>Total 2019</b>	<u>\$ 10,507,731</u>	<u>\$ 4,727,906</u>	<u>\$ 983,217</u>	<u>\$ 14,252,420</u>	<u>\$ 586,928</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, 2019.

**Lease Obligations**

The Authority did not lease office equipment in the fiscal year ended June 30, 2019.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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NOTE 7: **DEFINED BENEFIT PENSION PLAN**

*Net Pension Liability*

The net pension liability/(asset) reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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

*Plan Description – Ohio Public Employees Retirement System (OPERS)*

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 62 with 5 years of service credit or Age 57 with 25 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.



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

*Plan Description – Ohio Public Employees Retirement System (OPERS)* (Continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
 <b>2019 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
 Employee	 10.0 %

\* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contributions was \$643,332 for fiscal year ending June 30, 2019.

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

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

The net pension liability/(asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability/(asset) was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.034442%	0.055625%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	<u>0.032673%</u>	<u>0.056929%</u>	
Change in Proportionate Share	<u>-0.001769%</u>	<u>0.001304%</u>	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 8,948,472	\$ (63,659)	\$ 8,884,813
Pension Expense	\$ 1,454,217	\$ (1,393)	\$ 1,452,824

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,214,557	\$ 13,713	\$ 1,228,270
Differences between expected and actual experience	412	0	412
Changes of assumptions	778,984	14,217	793,201
Changes in proportion and differences between Authority contributions and proportionate share of contributions	287	442	729
Authority contributions subsequent to the measurement date	<u>296,736</u>	<u>17,896</u>	<u>314,632</u>
Total Deferred Outflows of Resources	<u>\$ 2,290,976</u>	<u>\$ 46,268</u>	<u>\$ 2,337,244</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 117,499	\$ 26,002	\$ 143,501
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>271,575</u>	<u>3,137</u>	<u>274,712</u>
Total Deferred Inflows of Resources	<u>\$ 389,074</u>	<u>\$ 29,139</u>	<u>\$ 418,213</u>

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

*Pension Liabilities, Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (Continued)

\$314,632 reported as deferred outflows of resources related to pension resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30:	OPERS	OPERS	Total
	Traditional Pension Plan	Combined Plan	
2020	\$ 631,839	\$ 1,812	\$ 633,651
2021	295,793	(930)	294,863
2022	112,675	(642)	112,033
2023	564,859	3,653	568,512
2024	0	(1,989)	(1,989)
Thereafter	0	(2,671)	(2,671)
Total	<u>\$ 1,605,166</u>	<u>\$ (767)</u>	<u>\$ 1,604,399</u>

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of 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 in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

*Actuarial Assumptions – OPERS* (Continued)

The total pension asset in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 8.25 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health 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.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term 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.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

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

*Actuarial Assumptions – OPERS* (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees 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 table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. 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 benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

Authority's proportionate share of the net pension liability/(asset)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Traditional Pension Plan	\$ 13,219,496	\$ 8,948,472	\$ 5,399,213
Combined Plan	\$ (21,064)	\$ (63,659)	\$ (94,502)

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NOTE 8: **POSTEMPLOYMENT BENEFITS**

*Net OPEB Liability*

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the Authority’s obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but

does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable.

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

*Plan Description – Ohio Public Employees Retirement System (OPERS)* (Continued)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit 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. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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 Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, 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 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

*Plan Description – Ohio Public Employees Retirement System (OPERS)* (Continued)

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 0 percent during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 remained at 0 percent 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 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution was \$3,985 for fiscal year ending June 30, 2019.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.034490%
Proportion of the Net OPEB Liability:	
Current Measurement Date	<u>0.032758%</u>
Change in Proportionate Share	<u>-0.001732%</u>
Proportionate Share of the Net OPEB Liability	\$ 4,270,870
OPEB Expense	\$ 285,691

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* (Continued)

	OPERS
<b>Deferred Outflows of Resources</b>	
Net difference between projected and actual earnings on OPEB plan investments	\$ 195,793
Differences between expected and actual experience	1,446
Changes of assumptions	137,699
Authority contributions subsequent to the measurement date	2,015
Total Deferred Outflows of Resources	\$ 336,953
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$ 11,588
Changes in proportion and differences between Authority contributions and proportionate share of contributions	174,382
Total Deferred Inflows of Resources	\$ 185,970

\$2,015 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending June 30:	
2020	\$ 47,862
2021	(27,843)
2022	30,315
2023	98,634
Total	\$ 148,968

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of 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.

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

*Actuarial Assumptions – OPERS* (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

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

*Actuarial Assumptions – OPERS* (Continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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 (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate	0.00	0.00
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

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

**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Authority's proportionate share of the net OPEB liability	\$ 5,464,034	\$ 4,270,870	\$ 3,219,889

**Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$ 4,105,233	\$ 4,270,870	\$ 4,461,640

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:

	Deductible	Coverage Limits
Property	\$ 5,000	\$ 157,228,763
General Liability	0	1,000,000/2,000,000
Vehicle	500/500	ACV/1,000,000
Directors, Officers, and Trustees Liability	10,000	1,000,000/1,000,000
Blanket Position Bond	5,000	500,000
Umbrella Liability	10,000	3,000,000/3,000,000

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

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

NOTE 10: **RESTRICTED NET POSITION**

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 Hybrid Checking Account (HAP Portion)	\$ 19,900
<b>Total</b>	\$ 19,900

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.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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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, 2019.

**Contingencies**

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

NOTE 13: **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.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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NOTE 14: **BLENDED COMPONENT UNITS**

As of June 30, 2019, the condensed Statement of Net Position for the blended component unit (LCEHC) is as follows:

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Assets**

Current Assets	\$ 715,485
Noncurrent Assets	3,443
Non-depreciable capital assets	<u>2,738,178</u>
<b>Total Assets</b>	<b><u>3,457,106</u></b>

**Deferred Outflows of Resources**

Pension	126,460
OPEB	<u>18,223</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>144,683</u></b>

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** **\$ 3,601,789**

**LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION**

**Liabilities**

Current Liabilities	\$ 368,124
Noncurrent Liabilities	10,917
Net Pension Liability	483,961
Net OPEB Liability	<u>230,982</u>
<b>Total Liabilities</b>	<b><u>1,093,984</u></b>

**Deferred Inflows of Resources**

Pension	23,254
OPEB	<u>10,057</u>
<b>Total Inflow of Resources</b>	<b><u>33,311</u></b>

**Net Position**

Net Investment in Capital Assets	2,479,332
Unrestricted	<u>(4,838)</u>
<b>Total Net Position</b>	<b><u>2,474,494</u></b>

**TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES,  
AND NET POSITION** **\$ 3,601,789**

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(CONTINUED)**

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

As of June 30, 2019, the condensed Statement of Activities for the blended component unit (LCEHC) is as follows:

**Operating Revenues**

Total Tenant Revenue	\$ 632,345
HUD PHA Operating Grants	884,350
Other Revenue	15,927
<b>Total Operating Revenue</b>	<b><u>1,532,622</u></b>

**Operating Expenses**

Depreciation	294,370
Other Operating Expenses	1,242,633
<b>Total Operating Expenses</b>	<b><u>1,537,003</u></b>
Operating Income	<u>(4,381)</u>

**Nonoperating Revenues (Expenses)**

Investment Income-Unrestricted	17,138
Interest Expense	(27,177)
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>(10,039)</u></b>
Changes in Net Position	(14,420)

Beginning Net Position	<u>2,488,914</u>
<b>Ending Net Position</b>	<b><u>\$ 2,474,494</u></b>

As of June 30, 2019, the condensed Statement of Cash Flows for the blended component unit is as follows:

Net Cash Provided by Operating Activities	\$ 340,522
Net Cash Used in Investing Activities	(501,211)
Net Cash Used in Financing Activities	(290,859)
<b>Net Increase(Decrease) in Cash and Cash Equivalents</b>	<b><u>(451,548)</u></b>

Beginning Cash and Cash Equivalents	<u>1,115,447</u>
<b>Ending Cash and Cash Equivalents</b>	<b><u>\$ 663,899</u></b>



**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS (1)**

<b>Traditional Plan</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Authority's Proportion of the Net Pension Liability	0.032673%	0.034442%	0.035697%	0.036793%	0.036427%	0.036427%
Authority's Proportionate Share of the Net Pension Liability	\$ 8,948,472	\$ 5,403,282	\$ 8,106,182	\$ 6,373,011	\$ 4,393,503	\$ 4,294,269
Authority's Covered Payroll	\$ 4,413,014	\$ 4,551,522	\$ 4,614,681	\$ 4,579,233	\$ 4,465,941	\$ 4,464,562
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%	175.66%	139.17%	98.38%	96.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
<b>Combined Plan</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Authority's Proportion of the Net Pension Asset	0.056929%	0.055625%	0.051769%	0.051330%	0.053023%	0.053023%
Authority's Proportionate Share of the Net Pension (Asset)	\$ (63,659)	\$ (75,724)	\$ (28,813)	\$ (24,979)	\$ (20,415)	\$ (5,564)
Authority's Covered Payroll	\$ 243,483	\$ 227,811	\$ 201,512	\$ 186,809	\$ 193,821	\$ 193,761
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	26.15%	33.24%	14.30%	13.37%	10.53%	2.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	126.64%	137.28%	116.55%	116.90%	114.83%	104.33%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PENSION  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Contractually Required Contributions</u>										
Traditional Plan	\$ 607,778	\$ 605,000	\$ 573,950	\$ 551,091	\$ 542,977	[1]	[1]	[1]	[1]	[1]
Combined Plan	35,554	30,281	26,598	22,878	22,933	[1]	[1]	[1]	[1]	[1]
Total Required Contributions	643,332	635,281	600,548	573,969	565,910	\$ 583,732	\$ 534,741	\$ 475,282	\$ 417,057	\$ 377,835
Contributions in Relation to the Contractually Required Contribution	(643,332)	(635,281)	(600,548)	(573,969)	(565,910)	(583,732)	(534,741)	(475,282)	(417,057)	(377,835)
Contribution Deficiency / (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Authority's Covered Payroll</u>										
Traditional Plan	\$ 4,341,271	\$ 4,485,132	\$ 4,594,634	\$ 4,592,425	\$ 4,524,808	[1]	[1]	[1]	[1]	[1]
Combined Plan	253,957	224,488	212,925	190,650	191,108	[1]	[1]	[1]	[1]	[1]
Total Covered Payroll	\$ 4,595,228	\$ 4,709,620	\$ 4,807,559	\$ 4,783,075	\$ 4,715,916	\$ 4,668,352	\$ 4,655,817	\$ 4,752,820	\$ 4,537,806	\$ 4,318,785
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Traditional Plan	14.00%	13.49%	12.49%	12.00%	12.00%	[1]	[1]	[1]	[1]	[1]
Combined Plan	14.00%	13.49%	12.49%	12.00%	12.00%	[1]	[1]	[1]	[1]	[1]
Total Percentage	14.00%	13.49%	12.49%	12.00%	12.00%	12.50%	11.49%	10.00%	9.19%	8.75%

[1] – Information broken down by pension plan (Traditional vs. Combined) was not available.

See accompanying notes to the required supplementary information

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS (1)**

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	2019	2018	2017
Authority's Proportion of the Net OPEB Liability	0.032758%	0.034490%	0.035770%
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,270,870	\$ 3,745,360	\$ 3,612,892
Authority's Covered Payroll	\$ 4,751,460	\$ 4,885,705	\$ 4,943,222
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.89%	76.66%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years will be displayed once the information becomes available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - OPEB  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FIVE FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 3,985	\$ 28,103	\$ 77,013	\$ 98,570	\$ 94,957
Contributions in Relation to the Contractually Required Contribution	<u>(3,985)</u>	<u>(28,103)</u>	<u>(77,013)</u>	<u>(98,570)</u>	<u>(94,957)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority Covered Payroll	\$ 4,694,847	\$ 4,814,438	\$ 4,921,320	\$ 4,893,432	\$ 4,780,364
Contributions as a Percentage of Covered Payroll	0.08%	0.58%	1.56%	2.01%	1.99%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2019.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) 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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%.

***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018-2019.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00%.

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**FINANCIAL DATA SCHEDULES**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Project Total	14.896 PH 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	E.L.M	Total
111 Cash - Unrestricted	\$1,951,424			\$151,537	\$606,579	\$152,685	\$668,461	\$3,530,686		\$3,530,686
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	\$64,970			\$93,398				\$158,368		\$158,368
114 Cash - Tenant Security Deposits	\$153,594				\$57,320	\$10,185		\$221,099		\$221,099
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$2,169,988	\$0	\$0	\$244,935	\$663,899	\$162,870	\$668,461	\$3,910,153	\$0	\$3,910,153
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects	\$134,638	\$12,064	\$5,216					\$151,918		\$151,918
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous	\$4,405			\$1,195		\$19,164		\$24,764		\$24,764
126 Accounts Receivable - Tenants	\$21,788				\$3,860	\$660		\$26,308		\$26,308
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,429				-\$72	-\$1		-\$1,502		-\$1,502
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$18,700				\$806			\$19,506		\$19,506
128 Fraud Recovery	\$51,339			\$37,716	\$3,266			\$92,321		\$92,321
128.1 Allowance for Doubtful Accounts - Fraud	-\$4,931			-\$10,938	-\$102			-\$15,971		-\$15,971
129 Accrued Interest Receivable	\$14,332							\$14,332		\$14,332
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$238,842	\$12,064	\$5,216	\$27,973	\$7,758	\$19,823	\$0	\$311,676	\$0	\$311,676
131 Investments - Unrestricted	\$2,000,000							\$2,000,000		\$2,000,000
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	\$81,400			\$11,783	\$30,075	\$405	\$15,546	\$139,209		\$139,209
143 Inventories	\$139,469				\$13,802			\$153,271		\$153,271
143.1 Allowance for Obsolete Inventories	-\$499				-\$49			-\$548		-\$548
144 Inter Program Due From						\$14,400		\$14,400	-\$14,400	\$0
145 Assets Held for Sale										
150 Total Current Assets	\$4,629,200	\$12,064	\$5,216	\$284,691	\$715,485	\$197,498	\$684,007	\$6,528,161	-\$14,400	\$6,513,761
161 Land	\$4,532,801			\$69,400	\$333,878	\$417,764		\$5,353,843		\$5,353,843
162 Buildings	\$73,358,841			\$1,010,838	\$9,775,671	\$734,576	\$1,304,532	\$86,184,458		\$86,184,458
163 Furniture, Equipment & Machinery - Dwellings	\$507,931				\$228,415		\$167,798	\$904,144		\$904,144
164 Furniture, Equipment & Machinery - Administration	\$200,819			\$446,461	\$48,135	\$27,286	\$605,580	\$1,328,281		\$1,328,281
165 Leasehold Improvements										
166 Accumulated Depreciation	-\$58,247,532			-\$1,057,994	-\$7,647,921	-\$394,984	-\$1,789,920	-\$69,138,351		-\$69,138,351
167 Construction in Progress	\$453,000							\$453,000		\$453,000
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$20,805,860	\$0	\$0	\$468,705	\$2,738,178	\$784,642	\$287,990	\$25,085,375	\$0	\$25,085,375
171 Notes, Loans and Mortgages Receivable - Non-Current	\$1,596,457							\$1,596,457		\$1,596,457
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets	\$31,406			\$10,941	\$3,443		\$17,869	\$63,659		\$63,659
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$22,433,723	\$0	\$0	\$479,646	\$2,741,621	\$784,642	\$305,859	\$26,745,491	\$0	\$26,745,491
200 Deferred Outflow of Resources	\$1,319,376			\$459,573	\$144,683		\$750,565	\$2,674,197		\$2,674,197
290 Total Assets and Deferred Outflow of Resources	\$28,382,299	\$12,064	\$5,216	\$1,223,910	\$3,601,789	\$982,140	\$1,740,431	\$35,947,849	-\$14,400	\$35,933,449

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**FINANCIAL DATA SCHEDULES**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Project Total	14.896 PH 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	ELM	Total
311 Bank Overdraft										
312 Accounts Payable <= 90 Days	\$17,910			\$1,178	\$149		\$13,817	\$33,054		\$33,054
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	\$59,035	\$2,065	\$815	\$19,742	\$6,033		\$28,947	\$116,637		\$116,637
322 Accrued Compensated Absences - Current Portion	\$139,479			\$55,150	\$13,392		\$120,061	\$328,082		\$328,082
324 Accrued Contingency Liability										
325 Accrued Interest Payable					\$1,260			\$1,260		\$1,260
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	\$8,846				\$26,829			\$35,675		\$35,675
341 Tenant Security Deposits	\$139,915				\$54,588	\$3,995		\$198,498		\$198,498
342 Unearned Revenue										
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$258,846			\$258,846		\$258,846
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities							\$2,499	\$2,499		\$2,499
346 Accrued Liabilities - Other	\$203,148			\$1,486	\$7,027	\$478	\$8,172	\$220,311		\$220,311
347 Inter Program - Due To		\$9,999	\$4,401					\$14,400	-\$14,400	\$0
348 Loan Liability - Current										
310 Total Current Liabilities	\$568,333	\$12,064	\$5,216	\$77,556	\$368,124	\$4,473	\$173,496	\$1,209,262	-\$14,400	\$1,194,862
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0							\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	\$64,970			\$73,498				\$138,468		\$138,468
354 Accrued Compensated Absences - Non Current	\$88,358			\$89,373	\$10,917		\$119,034	\$307,682		\$307,682
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	\$6,521,569			\$2,271,942	\$714,943		\$3,710,888	\$13,219,342		\$13,219,342
350 Total Non-Current Liabilities	\$6,674,897	\$0	\$0	\$2,434,813	\$725,860	\$0	\$3,829,922	\$13,665,492	\$0	\$13,665,492
300 Total Liabilities	\$7,243,230	\$12,064	\$5,216	\$2,512,369	\$1,093,984	\$4,473	\$4,003,418	\$14,874,754	-\$14,400	\$14,860,354
400 Deferred Inflow of Resources	\$297,496			\$104,284	\$33,311		\$169,092	\$604,183		\$604,183
508.4 Net Investment in Capital Assets	\$20,805,860			\$468,705	\$2,479,332	\$784,642	\$287,990	\$24,826,529		\$24,826,529
511.4 Restricted Net Position				\$19,900				\$19,900		\$19,900
512.4 Unrestricted Net Position	\$35,713	\$0	\$0	-\$1,881,348	-\$4,838	\$193,025	-\$2,720,069	-\$4,377,517		-\$4,377,517
513 Total Equity - Net Assets / Position	\$20,841,573	\$0	\$0	-\$1,392,743	\$2,474,494	\$977,667	-\$2,432,079	\$20,468,912	\$0	\$20,468,912
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$28,382,299	\$12,064	\$5,216	\$1,223,910	\$3,601,789	\$982,140	\$1,740,431	\$35,947,849	-\$14,400	\$35,933,449

**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**FINANCIAL DATA SCHEDULES**  
**ENTITY WIDE REVENUE AND EXPENSE SUMMARY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Project Total	14.896 PH 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	E.L.M	Total
70300 Net Tenant Rental Revenue	\$2,116,447				\$615,584	\$42,594		\$2,774,625		\$2,774,625
70400 Tenant Revenue - Other	\$223,157				\$16,761	\$248		\$240,166		\$240,166
70500 Total Tenant Revenue	\$2,339,604	\$0	\$0	\$0	\$632,345	\$42,842	\$0	\$3,014,791	\$0	\$3,014,791
70600 HUD PHA Operating Grants	\$7,718,853	\$113,352	\$73,319	\$20,940,146	\$884,350			\$29,730,020		\$29,730,020
70610 Capital Grants	\$662,969							\$662,969		\$662,969
70710 Management Fee							\$1,657,203	\$1,657,203	-\$1,657,203	\$0
70720 Asset Management Fee							\$173,040	\$173,040	-\$173,040	\$0
70730 Book Keeping Fee							\$342,733	\$342,733	-\$342,733	\$0
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							\$2,172,976	\$2,172,976	-\$2,172,976	\$0
70800 Other Government Grants										
71100 Investment Income - Unrestricted	\$39,336			\$613	\$17,138	\$3,303	\$4,108	\$64,498		\$64,498
71200 Mortgage Interest Income	\$16,405							\$16,405		\$16,405
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery	\$85,850			\$79,839	\$433			\$166,122		\$166,122
71500 Other Revenue	\$193,463			\$15,311	\$15,494	\$41,756	\$65,622	\$331,646	-\$24,000	\$307,646
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted										
70000 Total Revenue	\$11,056,480	\$113,352	\$73,319	\$21,035,909	\$1,549,760	\$87,901	\$2,242,706	\$36,159,427	-\$2,196,976	\$33,962,451
91100 Administrative Salaries	\$1,058,487			\$807,256	\$164,201	\$1,129	\$1,172,404	\$3,203,477		\$3,203,477
91200 Auditing Fees	\$8,760			\$8,760	\$4,380		\$2,208	\$24,108		\$24,108
91300 Management Fee	\$1,207,848			\$344,504	\$104,851			\$1,657,203	-\$1,657,203	\$0
91310 Book-keeping Fee	\$127,073			\$215,315	\$345			\$342,733	-\$342,733	\$0
91400 Advertising and Marketing	\$1,461			\$6,052	\$6,315		\$28,524	\$42,352		\$42,352
91500 Employee Benefit Contributions - Administrative	\$477,850			\$362,408	\$45,994	\$289	\$379,685	\$1,266,226		\$1,266,226
91600 Office Expenses	\$276,167			\$129,894	\$44,804	\$12,606	\$179,144	\$642,615		\$642,615
91700 Legal Expense	\$70,725			\$20,076	\$5,923	\$290	\$50,592	\$147,606		\$147,606
91800 Travel	\$1,538				\$225		\$894	\$2,657		\$2,657
91810 Allocated Overhead										
91900 Other	\$15,892		\$3,015	\$3,365	\$7,470	\$110	\$30,930	\$60,782	-\$24,000	\$36,782
91000 Total Operating - Administrative	\$3,245,801	\$0	\$3,015	\$1,897,630	\$384,508	\$14,424	\$1,844,381	\$7,389,759	-\$2,023,936	\$5,365,823
92000 Asset Management Fee	\$172,560				\$480			\$173,040	-\$173,040	\$0
92100 Tenant Services - Salaries	\$70,758	\$69,389	\$36,943	\$8,743	\$12,732			\$198,565		\$198,565
92200 Relocation Costs	\$16,324							\$16,324		\$16,324
92300 Employee Benefit Contributions - Tenant Services	\$19,108	\$43,963	\$22,527	\$3,277	\$3,333			\$92,208		\$92,208
92400 Tenant Services - Other	\$19,430		\$10,832		\$2,226			\$32,488		\$32,488
92500 Total Tenant Services	\$125,620	\$113,352	\$70,302	\$12,020	\$18,291	\$0	\$0	\$339,585	\$0	\$339,585
93100 Water	\$597,544			\$1,291	\$51,122	\$1,871	\$1,530	\$653,358		\$653,358
93200 Electricity	\$412,379			\$14,198	\$194,407	\$5,469	\$16,822	\$643,275		\$643,275
93300 Gas	\$227,870			\$6,624	\$1,037	\$9,593	\$7,849	\$252,973		\$252,973
93400 Fuel										
93500 Labor										
93600 Sewer	\$783,409			\$1,384	\$73,710	\$2,269	\$1,640	\$862,412		\$862,412
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense										
93000 Total Utilities	\$2,021,202	\$0	\$0	\$23,497	\$320,276	\$19,202	\$27,841	\$2,412,018	\$0	\$2,412,018
94100 Ordinary Maintenance and Operations - Labor	\$1,058,832				\$91,178	\$3,611	\$10,202	\$1,163,823		\$1,163,823
94200 Ordinary Maintenance and Operations - Materials and Other	\$414,453			\$2,881	\$45,147	\$2,383	\$17,781	\$482,645		\$482,645
94300 Ordinary Maintenance and Operations Contracts	\$1,033,215			\$3,914	\$161,460	\$14,966	\$65,004	\$1,278,559		\$1,278,559
94500 Employee Benefit Contributions - Ordinary Maintenance	\$492,062				\$45,996	\$1,389	\$3,924	\$543,371		\$543,371
94000 Total Maintenance	\$2,998,562	\$0	\$0	\$6,795	\$343,781	\$22,349	\$96,911	\$3,468,398	\$0	\$3,468,398



**LORAIN METROPOLITAN HOUSING AUTHORITY**  
**LORAIN COUNTY, OHIO**  
**FINANCIAL DATA SCHEDULES**  
**ENTITY WIDE REVENUE AND EXPENSE SUMMARY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Project Total	14.896 PH 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	E.L.M	Total
95100 Protective Services - Labor	\$52,826				\$7,616		\$3,283	\$63,725		\$63,725
95200 Protective Services - Other Contract Costs	\$176,473				\$10,405			\$186,878		\$186,878
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services	\$15,540				\$2,240		\$966	\$18,746		\$18,746
95000 Total Protective Services	\$244,839	\$0	\$0	\$0	\$20,261	\$0	\$4,249	\$269,349	\$0	\$269,349
96110 Property Insurance	\$235,723			\$2,927	\$15,604	\$1,475	\$675	\$256,404		\$256,404
96120 Liability Insurance	\$65,040			\$17,701	\$8,594	\$952	\$598	\$92,885		\$92,885
96130 Workmen's Compensation	\$26,532			\$8,519	\$2,785		\$14,985	\$52,821		\$52,821
96140 All Other Insurance	\$56,923			\$5,740	\$5,237		\$25,829	\$93,729		\$93,729
96100 Total insurance Premiums	\$384,218	\$0	\$0	\$34,887	\$32,220	\$2,427	\$42,087	\$495,839	\$0	\$495,839
96200 Other General Expenses	\$934,206		\$2	\$256,580	\$77,215	\$14,969	\$404,270	\$1,687,242		\$1,687,242
96210 Compensated Absences	\$17,325			\$11,275	\$2,348			\$30,948		\$30,948
96300 Payments in Lieu of Taxes	\$8,358				\$26,829			\$35,187		\$35,187
96400 Bad debt - Tenant Rents	\$166,851			\$31,237	\$15,579	\$550		\$214,217		\$214,217
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense	\$15,295			\$219	\$845		\$9,644	\$26,003		\$26,003
96000 Total Other General Expenses	\$1,142,035	\$0	\$2	\$299,311	\$122,816	\$15,519	\$413,914	\$1,993,597	\$0	\$1,993,597
96710 Interest of Mortgage (or Bonds) Payable					\$27,177			\$27,177		\$27,177
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	\$27,177	\$0	\$0	\$27,177	\$0	\$27,177
96900 Total Operating Expenses	\$10,334,837	\$113,352	\$73,319	\$2,274,140	\$1,269,810	\$73,921	\$2,429,383	\$16,568,762	-\$2,196,976	\$14,371,786
97000 Excess of Operating Revenue over Operating Expenses	\$721,643	\$0	\$0	\$18,761,769	\$279,950	\$13,980	-\$186,677	\$19,590,665	\$0	\$19,590,665
97100 Extraordinary Maintenance	\$81,904						\$2,199	\$84,103		\$84,103
97200 Casualty Losses - Non-capitalized	\$36,311							\$36,311		\$36,311
97300 Housing Assistance Payments				\$19,129,301				\$19,129,301		\$19,129,301
97350 HAP Portability-In				\$0				\$0		\$0
97400 Depreciation Expense	\$2,010,609			\$32,418	\$294,370	\$35,375	\$48,475	\$2,421,247		\$2,421,247
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dw elling Units Rent Expense										
90000 Total Expenses	\$12,463,661	\$113,352	\$73,319	\$21,435,859	\$1,564,180	\$109,296	\$2,480,057	\$38,239,724	-\$2,196,976	\$36,042,748
10010 Operating Transfer In	\$243,108			\$20,000				\$263,108	-\$263,108	\$0
10020 Operating transfer Out	-\$243,108						-\$20,000	-\$263,108	\$263,108	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$20,000	\$0	\$0	-\$20,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,407,181	\$0	\$0	-\$379,950	-\$14,420	-\$21,395	-\$257,351	-\$2,080,297	\$0	-\$2,080,297
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$292,275	\$0	\$0	\$292,275		\$292,275
11030 Beginning Equity	\$22,248,754	\$0	\$0	-\$1,012,793	\$2,488,914	\$999,062	-\$2,174,728	\$22,549,209		\$22,549,209
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0							\$0		\$0
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dw elling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity				-\$1,412,643				-\$1,412,643		-\$1,412,643
11180 Housing Assistance Payments Equity				\$19,900				\$19,900		\$19,900
11190 Unit Months Available	17187			37548	2448	84		57267		57267
11210 Number of Unit Months Leased	16875			36806	2374	79		56134		56134
11270 Excess Cash	\$2,966,817							\$2,966,817		\$2,966,817
11610 Land Purchases	\$0						\$0	\$0		\$0
11620 Building Purchases	\$650,113						\$0	\$650,113		\$650,113
11630 Furniture & Equipment - Dw elling Purchases	\$0						\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$12,856						\$0	\$12,856		\$12,856
11650 Leasehold Improvements Purchases	\$0						\$0	\$0		\$0
11660 Infrastructure Purchases	\$0						\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0						\$0	\$0		\$0

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
SCHEDULE OF MODERNIZATION COSTS - COMPLETED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Note 1	Note B	Note C
	FSSOH0217 ROSS Grant	OH012RPS067A013 ROSS Grant	OH12-P012-50116 Capital Fund Grant
Funds Approved - Latest Budget	\$ 115,279	\$ 183,400	\$ 2,119,685
Funds Advanced	115,279	183,400	2,119,685
Funds Expended	115,279	183,400	2,119,685
Difference Between Funds Advanced and Funds Expended	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Note A**

This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2019.

**Note B**

This Resident Opportunity and Self-Sufficiency (ROSS) grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2019.

**Note C**

This Capital Fund grant was completed by the Lorain Metropolitan Housing Authority during fiscal year 2019.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
SCHEDULE OF UNITS UNDER LMHA MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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The Lorain Metropolitan Housing Authority had a total of 4,772 units under its management, as detailed below.

	<u>Units Available</u>	<u>Average Number of Units Leased in in Fiscal Year</u>
<b><u>Lorain Metropolitan Housing Authority</u></b>		
Low Income Public Housing	1,432	1,406
Section 8 Vouchers	3,129	3,067
General Fund (not HUD funded)	<u>7</u>	<u>7</u>
<b>Total Lorain Metropolitan Housing Authority</b>	<u>4,568</u>	<u>4,480</u>
 <b><u>Lorain County Elderly Housing Corporation</u></b>		
Section 8 New Construction	<u>204</u>	<u>198</u>
 <b>Total LMHA and LCEHC</b>	 <u>4,772</u>	 <u>4,678</u>

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b><u>Direct Programs</u></b>				
Section 8 Project-Based Cluster:				
Section 8 New Construction and Substantial Rehabilitation	14.182	LCEHC	\$ 884,350	\$ 884,350
Total Section 8 Project-Based Cluster			<u>884,350</u>	<u>884,350</u>
Public and Indian Housing	14.850	N/A	<u>0</u>	<u>7,033,573</u>
Resident Opportunity and Supportive Services - Service Coordinators	14.870	N/A	<u>0</u>	<u>73,319</u>
Housing Voucher Cluster:				
Section 8 Housing Choice Voucher	14.871	N/A	<u>0</u>	<u>20,940,146</u>
Total Housing Voucher Cluster			<u>0</u>	<u>20,940,146</u>
Public Housing Capital Fund	14.872	N/A	<u>0</u>	<u>1,348,249</u>
Family Self-Sufficiency Program	14.896	N/A	<u>0</u>	<u>113,352</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>884,350</u>	<u>30,392,989</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 884,350</u>	<u>\$ 30,392,989</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lorain Metropolitan Housing Authority (the Authority) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. INDIRECT COST RATE**

The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4: SUBRECIPIENT**

The Authority passed through all Section 8 New Construction/Substantial Rehabilitation funds to the Lorain County Elderly Housing Corporation, which is a blended component unit of the Authority, as indicated in Note 1 to the financial statements.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

To the Members of the Board  
Lorain Metropolitan Housing Authority  
Lorain, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Lorain Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 16, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

October 16, 2019

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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

To the Members of the Board  
Lorain Metropolitan Housing Authority  
Lorain, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

***Report on Compliance for Each Major Federal Program***

We have audited the Lorain Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2019. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance 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 express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



### ***Opinion on Each Major Federal Program***

In our opinion, the Lorain Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### ***Report on Internal Control over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

October 16, 2019

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

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**SUMMARY OF AUDITOR'S RESULTS**

2019(i)	Type of Financial Statement Opinion	Unmodified
2019(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2019(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2019(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2019(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2019(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2019(v)	Type of Major Programs' Compliance Opinions	Unmodified
2019(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2019(vii)	Major Programs (list):  Housing Voucher Cluster: Section 8 Housing Choice Vouchers - CFDA # 14.871	
2019(viii)	Dollar Threshold: A/B Program	Type A: \$911,790 Type B: All Others
2019(ix)	Low Risk Auditee?	Yes

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

None.

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**LORAIN METROPOLITAN HOUSING AUTHORITY  
LORAIN COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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The prior audit report, as of June 30, 2018, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
DECEMBER 3, 2019**