

**LUCAS METROPOLITAN HOUSING AUTHORITY**

**TOLEDO, OHIO**

**FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2012**





# Dave Yost • Auditor of State

Board of Commissioners  
Lucas Metropolitan Housing Authority  
P.O. Box 477  
Toledo, Ohio 43697

We have reviewed the *Independent Auditors' Report* of the Lucas Metropolitan Housing Authority, Lucas County, prepared by Bastin & Company, LLC, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

August 5, 2013

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# LUCAS METROPOLITAN HOUSING AUTHORITY

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# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Lucas Metropolitan Housing Authority  
Toledo, Ohio

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

We have audited the accompanying financial statements of the Lucas Metropolitan Housing Authority, Toledo, Ohio (the Authority) as of and for the year ended December 31, 2012, 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 entity'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 entity'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 respective financial position of the Authority, as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2012 the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules on pages 25 through 29 and the Statements and Certifications of Actual Modernization Costs on pages 30 through 31 are presented for purposes of additional analysis as required by the Department of Housing and Urban Development, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements.

The Financial Data Schedules, the Statements and Certifications of Actual Modernization Costs 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, 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.

*Bastin & Company, LLC*

Cincinnati, Ohio  
June 7, 2013



**LUCAS METROPOLITAN HOUSING AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Unaudited**

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

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

LMHA offers this narrative overview of its financial activities for the year ending December 31, 2012.

**MISSION STATEMENT**

The mission of the Lucas Metropolitan Housing Authority is to provide quality affordable housing opportunities, and build communities through partnerships. We encourage self-sufficiency, while protecting the dignity of people with limited resources, and safeguarding the public trust.

**FINANCIAL HIGHLIGHTS**

Some key highlights of the 2012 financial report include:

- Total assets exceeded total liabilities by \$67,916,706 at December 31, 2012. This is an increase of \$1,118,954 (1.7%) from the prior year.
- Operating revenues decreased from the prior year by \$751,281 (1.6%) to \$46,549,472 in 2012, compared to \$47,300,753 for 2011. Decreases in the HUD operating subsidy for the Public Housing Program and tenant revenue are the major contributing factors.
- Operating expenses increased from the prior year by \$84,701 (0.2%) to \$51,357,923 in 2012, compared to \$51,273,222 for 2011. Increases in Housing Assistance Payments, general costs and protective services were offset by reduced administrative, utilities, resident services, maintenance and depreciation expense resulting in the overall rise in costs.
- During 2012, construction began on Phase I of the new Collingwood Green Senior Complex located on the site of the former Albertus Brown public housing development.

**USING THIS ANNUAL REPORT**

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

**MD&A**

Management Discussion and Analysis

**Financial Statements**

Statements of Net Position

Statements of Revenues, Expenses, and Changes in Net Position

Statements of Cash Flows

Notes to the Financial Statements

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

## Unaudited

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

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

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

Net Investment in Capital Assets: This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that 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: This component of net position consists of net position that does not meet the definition of Net Investment in Capital Assets, or Restricted Net Position.

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

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

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

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

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

- **Low Income Public Housing Program** – Under this program, the LMHA rents units that it owns to low-income households throughout Lucas County. This program operates under an Annual Contributions Contract (ACC) with HUD, which provides an operating subsidy that enables the Agency to provide rental housing at a lower cost, based on 30 percent of household income.

The LMHA currently owns and operates 2,700 rental units subsidized in this program (400 units were recently demolished in late 2011 and early 2012). Per HUD requirements, these units are grouped into eight (8) Asset Management Projects, based on size and geographic location that are operated by site-based LMHA Property Managers.

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

**Unaudited**

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- **Section 8 Program** – Under this program, the LMHA administers contracts with independent landlords that own and lease units within the community. Through a separate ACC with HUD, the LMHA receives a subsidy from HUD that allows the Agency to structure a lease between the landlord and the renter that sets the rent at 30 percent of the household income. LMHA then subsidizes the family’s rent through a housing assistance payment made to the landlord. Some of these contracts assist disabled veterans, while others may allow the resident to become homeowners, as a result of their participation in the program. The LMHA currently administers 4,563 vouchers among the various Section 8 Programs, including Housing Choice Voucher, Mainstream, Mod Rehab and Veterans Affairs Supportive Housing (VASH) programs.
- **Capital Fund Grants** – The LMHA receives additional funding from HUD for physical and management improvements to its units within the Low Income Public Housing Program, under the same Annual Contributions Contract. This program provides funding for large-scale improvements or unplanned emergencies that are not covered by the operating subsidy amounts previously mentioned.
- **Capital Fund Recovery Grant** – Under the American Recovery and Reinvestment Act (ARRA) of 2009, funds were awarded to governmental entities throughout the country, as part of an economic stimulus program. The LMHA was awarded funding for major improvements through this program, which allowed for needed safety upgrades and improvements to our Low Income Public Housing sites.
- **Resident Service Grants** – Funding through this program is awarded by HUD to provide additional assistance to residents with special needs, or to provide community outreach connections that provide such assistance, for improved quality of life within the Low Income Public Housing community.
- **Shelter Plus Care Grant** – Funding through this program is awarded by HUD to assist community organizations that provide transitional housing for chronically homeless individuals with disabilities or special needs. The LMHA administers the program for a sponsored service provider, assisting with the cost of housing, thereby allowing them to provide supportive services by coordinating their efforts with other organizations for the homeless, to improve their quality of life.
- **Home Improvement Partnership Program** – Funding for this program was awarded by the City of Toledo that passed through funding from HUD. The grant from the City of Toledo provided a portion of the mixed financing agreement related to the Collingwood Green Phase I construction project. The objective of the Home Improvement Partnership Program is to expand the supply of affordable housing, particularly rental housing, for low and very low income Americans.
- **Neighborhood Stabilization Program** – Funding for this program was awarded by the City of Toledo that passed through funding from HUD. The grant from the City of Toledo provided a portion of the mixed financing agreement related to the Collingwood Green Phase I construction project. The Neighborhood Stabilization Program was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.
- **Non-HUD/Business Activities Programs** – This area includes programs such as: contract administration, a consortium with other housing authorities in Ohio to manage site-based properties for HUD; the Veterans Fund, a discretionary pool of funding from a variety of

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

**Unaudited**

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

- **Component Units**

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

*Collingwood Green Phase I* – Through the Collingwood Green Phase I, LP, a 65 unit mixed-finance and mixed income community is being constructed. The development will include 65 units of newly constructed housing owned by Collingwood Green Phase I, LP, of which 33 units will be public housing units developed using Capital Funds received by LMHA from HUD, and a mixed-finance amendment to the Annual Contributions Contract between HUD and LMHA.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**Statement of Net Position**

The following table represents condensed Statements of Net Position:

	December 31, 2012	December 31, 2011
<b><u>Assets</u></b>		
Current Assets	\$23,942,668	\$21,433,655
Other Noncurrent Assets	698,629	941,869
Capital Assets Net of Accumulated Depreciation	<u>60,099,467</u>	<u>53,789,697</u>
Total Assets	<u>84,740,764</u>	<u>76,165,221</u>
<b><u>Liabilities</u></b>		
Current and Other Liabilities	4,176,521	2,457,573
Noncurrent Liabilities	<u>12,647,537</u>	<u>6,909,896</u>
Total Liabilities	<u>16,824,058</u>	<u>9,367,469</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	51,837,363	48,351,023
Restricted	6,044,016	9,233,893
Unrestricted	<u>10,035,327</u>	<u>9,212,836</u>
Total Net Position	<u>\$67,916,706</u>	<u>\$66,797,752</u>

By far the largest portion of the Authority's net position (76 percent for 2012 and 72 percent for 2011) reflects its net investment in capital assets. The increase from 2011 was primarily the result of the ongoing construction of the Collingwood Green Phase I project offset by depreciation expense for the year. The Authority uses these capital assets (e.g., buildings, machinery, and equipment) to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

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

**Unaudited**

**Statement of Revenues, Expenses and Changes in Net Position**

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

	Year Ended December 31, 2012	Year Ended December 31, 2011
<b><u>Operating Revenue</u></b>		
Government Operating Grants	\$39,861,383	\$40,452,696
Tenant Revenue	5,550,229	5,717,587
Other Revenue	1,137,860	1,130,470
Total Operating Revenue	<u>46,549,472</u>	<u>47,300,753</u>
<b><u>Operating Expenses</u></b>		
Operating Expenses	22,475,053	24,847,741
Depreciation	3,720,881	4,124,354
Housing Assistance Payments	25,161,989	22,301,127
Total Operating Expenses	<u>51,357,923</u>	<u>51,273,222</u>
Operating Loss	(4,808,451)	(3,972,469)
<b>Non-Operating Revenues (Expenses)</b>	(663,977)	(442,336)
<b>Capital Contributions</b>	<u>6,591,382</u>	<u>2,091,274</u>
Increase (Decrease) in Net Position	1,118,954	(2,323,531)
<b>Net Position, Beginning of year</b>	<u>66,797,752</u>	<u>69,121,283</u>
<b>Net Position, End of year</b>	<u>\$67,916,706</u>	<u>\$66,797,752</u>

During 2012, the net position of the Authority increased by a total of \$1,118,954.

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

The Authority's operating grants decreased by \$591,313 primarily due to decreases in the HUD operating subsidy for the Public Housing Program and tenant revenues. Operating expenses increased by \$84,701 primarily due to increases in Housing Assistance Payments, general costs and protective services. These increases were offset by reduced administrative, utilities, resident services, maintenance and depreciation expense.

Net non-operating expenses increased primarily due to a loss recorded on the disposal of capital assets. Capital contributions increased from 2011 levels primarily from additional capital grants received from the City of Toledo as part of the mixed-financing arrangements for the Collingwood Green Phase I project.

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

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2012, the Authority's capital assets totaled \$60,099,467 (capital assets net of accumulated depreciation) as reflected in the following schedule.

	December 31, 2012	December 31, 2011
Land	\$9,563,339	\$7,784,449
Buildings	155,653,351	178,126,070
Equipment	3,441,318	2,907,669
Construction in Progress	11,854,720	4,569,637
Accumulated Depreciation	(120,413,261)	(139,598,128)
Total	<u>\$60,099,467</u>	<u>\$53,789,697</u>

During the year ending December 31, 2012, the net change in capital assets amounted to an increase of \$6,309,770.

The \$22,472,719 decrease in buildings is primarily due to the demolition of the Brand Whitlock Homes originally constructed in 1938, which will become the site of the new Collingwood Green Phase II Complex. Accumulated depreciation decreased by \$19,184,867 primarily as a result of annual depreciation expense, offset by the removal of accumulated depreciation related to the Brand Whitlock Homes.

Additional information on the Authority's capital assets can be found on page 19 of this report.

**Debt**

As of December 31, 2012, the Authority had \$11,443,804 of debt, an increase of \$6,005,130 from the prior year. The increase is a result of issuing bonds and related bridge construction loans as part of the Collingwood Green Senior Complex construction project.

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

**ECONOMIC FACTORS**

The following factors were considered in preparing the Authority's budget for the 2013 fiscal year.

The Authority has implemented site-specific budgeting and accounting. Both FY2011 and FY2012 budgets were prepared using the site-specific format as directed by HUD. Under site-specific budget format, there are strict guidelines on how the Central Office Cost Center (COCC) will be funded. Funding for the COCC is derived from fees charged to Asset Management Projects (AMP). The AMPs represent site-specific public housing areas and are managed as separate subsidiary organizations. As such, AMPs have their own financial statements with revenues coming from subsidy transfers, rental accounts, and capital fund transfers. Oversight and supportive services are provided on a fee basis by the Authority's COCC. Additional revenues for the COCC are from the service fees charged to the Voucher programs and other smaller programs. Failure to operate within revenues received will result in lower

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

**Unaudited**

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operating revenue for both the AMPs and the COCC. Failing to maintain occupancy rates of 95% or higher for the AMPs will also reduce operating subsidy transfers from HUD.

The Housing Choice Voucher (HCV) program generates revenue for operations from administrative fees earned from HUD. A portion of these revenues are paid to the COCC as fees for supportive services. At this time the COCC does not charge the HCV program the maximum rate for administrative fees so the HCV program can balance its administrative budget. In FY2012 the COCC continued to give a discount to the HCV program because the administrative fee funding from HUD was prorated to 80% of eligibility, 6% lower than that of FY2011, which was 6% lower than that of FY2010. Thus, HCV administrative operations have required use of prior year administrative reserves to keep the program fully utilized.

Effective March 1, 2013, because of Congress' inability to pass legislation on balanced deficit reduction, sequestration funding cuts for the low income public housing program (LIPH) resulted in subsidy proration of 79% of eligibility or approximately \$1.8 million. LMHA prior years' unrestricted AMP reserves have been determined sufficient to cover FY2013 budget deficit in this program.

In addition, sequestration funding cuts affected the Section 8 Housing Choice Voucher Program (HCV) Administration revenues significantly. Subsidy proration for this program is set at 69% of funding eligibility for administrative fees and 94% for housing assistance payments (HAP). Program reserves will cover any eventual deficits.

The LMHA Board of Commissioners approved budget revisions for these two major programs for the FY2013 on May 15, 2013.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

**Lucas Metropolitan Housing Authority**  
**Statement of Net Position**  
**December 31, 2012**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 12,265,577
Cash and Cash Equivalents - Restricted	5,062,783
Investments	563,565
Investments - Restricted	4,947,317
Grants receivable	707,498
Tenant Accounts Receivables, Net of Allowance	82,484
Notes Receivable - Current	111,534
Interest Receivable	8,611
Inventory	2,514
Prepaid Expenses and Other Current Assets	190,785
<b>Total Current Assets</b>	<b>23,942,668</b>

**Noncurrent Assets**

Notes Receivable - Noncurrent	622,788
Assets Held for Resale	75,841
Nondepreciable Capital Assets	21,418,059
Depreciable Capital Assets, Net	38,681,408
<b>Total Noncurrent Assets</b>	<b>60,798,096</b>
<b>TOTAL ASSETS</b>	<b>\$ 84,740,764</b>

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 2,328,876
Accrued Interest Payable	93,275
Accrued Wages and Payroll Taxes	397,916
Accrued Compensated Absences - Current	195,349
Tenant Security Deposits	308,185
Notes payable - Current	101,225
Bonds Payable - Current	155,000
Other Liabilities - Current	596,695
<b>Total Current Liabilities</b>	<b>4,176,521</b>

**Noncurrent Liabilities**

Notes payable - Noncurrent	5,243,063
Bonds Payable - Noncurrent	5,175,000
Loan Payable - Noncurrent	769,516
Accrued Compensated Absences - Noncurrent	1,106,981
Other Liabilities - Noncurrent	352,977
<b>Total Noncurrent Liabilities</b>	<b>12,647,537</b>
<b>TOTAL LIABILITIES</b>	<b>16,824,058</b>

**NET POSITION**

Net Investment in Capital Assets	51,837,363
Restricted	6,044,016
Unrestricted	10,035,327
<b>TOTAL NET POSITION</b>	<b>\$ 67,916,706</b>

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



**Lucas Metropolitan Housing Authority**  
**Statement of Revenue, Expenses, and Changes in Net Position**  
**For the Year Ended December 31, 2012**

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**OPERATING REVENUE**

Government Operating Grants	\$ 39,861,383
Tenant Revenue	5,550,229
Other Revenue	1,137,860
<b>Total Operating Revenue</b>	<b>46,549,472</b>

**OPERATING EXPENSES**

Administrative	8,796,161
Resident Services	860,116
Utilities	3,335,323
Maintenance	4,609,688
Protective Service	1,178,151
General	2,210,068
Housing Assistance Payments	25,161,989
Insurance and Other Expenses	1,485,546
Depreciation	3,720,881
<b>Total Operating Expenses</b>	<b>51,357,923</b>

<b>Operating Loss</b>	<b>(4,808,451)</b>
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**NON-OPERATING REVENUES (EXPENSES)**

Loss on Sale of Capital Assets	(409,152)
Interest Income	73,781
Interest Expense	(328,606)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(663,977)</b>

<b>Loss Before Capital Contributions</b>	<b>(5,472,428)</b>
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**CAPITAL CONTRIBUTIONS**

Capital Grants	6,591,382
<b>Total Capital Contributions</b>	<b>6,591,382</b>

<b>Increase (Decrease) in Net Position</b>	<b>1,118,954</b>
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<b>Net Position, Beginning of year</b>	<b>66,797,752</b>
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<b>Net Position, End of year</b>	<b>\$ 67,916,706</b>
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The accompanying notes are an integral part of these financial statements.

**Lucas Metropolitan Housing Authority**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Operating Grants	\$ 39,959,602
Cash Received from Tenants	5,516,886
Other Receipts	1,137,860
Cash Payments for Housing Assistance	(25,161,989)
Cash Payments for Administrative Expenses	(8,703,085)
Cash Payments for Other Operating Expenses	(13,585,446)
<b>Net Cash Used by Operating Activities</b>	<b><u>(836,172)</u></b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Grants Received	6,300,802
Issuance of Notes Receivable	200,004
Proceeds from Debt	6,244,516
Purchase of Capital Assets	(9,239,133)
Proceeds from Sale of Capital Assets	40,980
Principal and Interest Paid on Debt	(474,717)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>3,072,452</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	78,582
Purchase of Investments	(1,682,096)
<b>Net Cash Used by Investing Activities</b>	<b><u>(1,603,514)</u></b>

**Net Increase in Cash and Cash Equivalents** 632,766

**Cash and Cash Equivalents, Beginning of year** 16,695,594

**Cash and Cash Equivalents, End of year** \$ 17,328,360

**Reconciliation of Operating Loss to Net Cash Used by Operating Activities**

Operating Loss	\$ (4,808,451)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating activities:	
Depreciation	3,720,881
Change in Allowance for Doubtful Accounts	(108,183)
Tenant Security Deposits	(23,135)
Operating Grants Receivable	98,219
Tenant Account Receivables	74,840
Inventory	88,781
Prepaid Expenses and Other Current Assets	4,665
Operating Accounts Payable	459,347
Accrued Compensated Absences	(111,137)
Other Liabilities	(231,999)
<b>Net Cash Used by Operating Activities</b>	<b><u><u>\$ (836,172)</u></u></b>

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

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**1. Reporting Entity**

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

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

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

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

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

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

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

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(continued)

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**2. Summary of Significant Accounting Policies**

A. Basis of Presentation

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

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

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

B. Measurement Focus

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

C. Basis of Accounting

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

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

D. Cash and Cash Equivalents

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

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

E. Restricted Cash and Cash Equivalents and Investments

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

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
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F. Investments

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

G. Tenant Receivables and Recognition of Bad Debts

Tenant receivables are stated at net rent amounts. Tenant accounts are generally collectible as long as the tenant is occupying the unit. Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$186,941 at December 31, 2012.

H. Inventories

Inventories and materials are stated at average cost, which approximates market.

I. Capital Assets

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

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

J. Capitalization of Interest

The Authority's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2012, \$141,180 of interest expense was capitalized as part of the Collingwood Green Senior Complex project.

K. Compensated Absences

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

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

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

**L. Net Position**

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

**M. Operating Revenues and Expenses**

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

**N. Capital Contributions**

Capital Contributions arise from the contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

**O. Use of Estimates**

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

**3. Change in Accounting Principle**

For 2012, the Authority has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements*, and

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
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Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that statement for business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements. GASB Statement No. 62 has been applied retrospectively and had no impact on the Authority's net position, changes in net position or financial reporting disclosures.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related not disclosures. These changes were incorporated in the Authority's fiscal year 2012 financial statements; however, there was no effect on beginning net position/fund balance.

#### **4. Deposits and Investments**

##### Deposits

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

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

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

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

At year-end, the carrying amount of the Authority's deposits was \$16,968,325 (including \$768,497 of non-negotiable certificates of deposit and \$3,275 of petty cash), and the bank balance was \$17,284,207.

##### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$1,279,150 were covered by Federal Depository Insurance and deposits totaling \$16,005,057 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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Investments

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

The Authority's investments at December 31, 2012 were as follows:

Government Securities	\$1,064,025
Money market mutual funds	4,446,857
STAR Ohio	<u>360,035</u>
Total investments	<u>\$5,870,917</u>

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

*Credit Risk* – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has \$1,064,025 of government agency securities that are invested in Federal Home Loan securities, which are government-sponsored agencies, and of which the principal and interest are implicitly guaranteed by the United States government. The Standard and Poor's credit rating for the Federal Home Loan securities held is AA+. The Authority also has \$360,035 invested in the State Treasury Asset Reserve (STAR) of Ohio public investment pool and \$4,446,857 invested in money market accounts, both of which are rated AAA by Standard & Poor's.

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

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

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

	<u>Cash and</u> <u>Cash Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$17,328,360	\$5,510,882
STAR Ohio	<u>(360,035)</u>	<u>360,035</u>
Per GASB Statement No. 3	<u>\$16,968,325</u>	<u>\$5,870,917</u>



**LUCAS METROPOLITAN HOUSING AUTHORITY**  
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**5. Capital Assets**

A summary of capital assets class is as follows:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
Capital assets:				
Buildings and improvements	\$178,126,070	\$ 609,503	\$(23,082,222)	\$155,653,351
Land and improvements	7,784,449	1,778,890	-	9,563,339
Furniture and fixtures, equipment, and moving vehicles	2,907,669	830,765	(297,116)	3,441,318
Construction in progress	4,569,637	8,122,559	(837,476)	11,854,720
Total capital assets	<u>193,387,825</u>	<u>11,341,717</u>	<u>(24,216,814)</u>	<u>180,512,728</u>
Accumulated depreciation:				
Buildings and improvements	(137,085,225)	(3,620,635)	22,608,632	(118,097,228)
Furniture and fixtures, equipment, and moving vehicles	(2,512,903)	(100,246)	297,116	(2,316,033)
Total accumulated depreciation	<u>(139,598,128)</u>	<u>(3,720,881)</u>	<u>22,905,748</u>	<u>(120,413,261)</u>
Net capital assets	<u>\$ 53,789,697</u>	<u>\$ 7,620,836</u>	<u>\$ (1,311,066)</u>	<u>\$ 60,099,467</u>

**6. Pension Plan**

Ohio Public Employees Retirement System (“OPERS”)

The following information was provided by OPERS to assist the Authority in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

All employees of the Authority participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including post employment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting

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<https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the Authority's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. The contribution requirements of plan members and the Authority are established and may be amended by the OPERS Board. The Authority's required contributions for pension obligations to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$703,759, \$746,951, and \$681,048, respectively, which were equal to the required contributions for each year.

## **7. Post Employment Benefits**

### Ohio Public Employees Retirement System ("OPERS")

Plan Description – 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 plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post employment health care coverage.

In order to qualify for post employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently

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limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Post Employment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Authority's contributions for health care to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$281,504, \$298,780, and \$388,261, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**8. Compensated Absences**

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

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

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

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

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

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
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with a maximum payout of 124.5 days). All terminated employees are entitled to receive payment for any accrued and unused vacation time. In the event of the death of an employee, the designated beneficiary shall receive such payments.

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

At December 31, 2012, \$1,302,330 of vested vacation, sick leave, and longevity was accrued by the Authority for both union and nonunion personnel. Of this amount, \$195,349 is due within one year as of December 31, 2012 and is reported as current liabilities. Non-vested amounts are not material to the financial statements and have not been accrued. The change of \$(111,137) in the balance accrued at December 31, 2012 represents amounts earned in 2012 less amounts paid out.

**9. Risk Management**

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

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

**10. Long-term Debt**

Changes in long-term debt for the year ended December 31, 2012 is as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012	Amount Due within One Year
<i>Long-term Debt:</i>					
Note Payable	\$5,438,674	\$ -	\$ (94,386)	\$ 5,344,288	\$101,225
Bonds Payable	-	5,475,000	(145,000)	5,330,000	155,000
Bridge Loan Payable	-	769,516	-	769,516	-
<i>Other Obligations:</i>					
Compensated absences	1,413,467	100,883	(212,020)	1,302,330	195,349
Total	<u>\$6,852,141</u>	<u>6,345,399</u>	<u>\$(451,406)</u>	<u>\$12,746,134</u>	<u>\$451,574</u>

Westridge Apartments Development Corporation has a note payable of \$5,344,288 at December 31, 2012, to Red Mortgage Capital, payable in monthly installments of \$35,249, including interest at 5.99 percent. A lump-sum payment of principal is due in March 2016. Interest expense for the year ended December 31, 2012 was \$328,606.

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

As part of the Collingwood Green Senior Complex project, the Authority obtained a bridge loan to provide interim financing during construction. The loan, which has a maximum amount limited to \$2,120,000, provides for draws to be made against the available amount as needed during construction of the project. As of December 31, 2012 LMHA has drawn \$769,516 of the available loan. The loan bears interest at a per annum rate equal to the Libor Rate plus 200 basis points. Any amount outstanding on the loan is due in full on March 1, 2014.

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

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 101,225	\$ 321,767	\$ 422,992
2014	107,546	315,445	422,991
2015	114,263	308,728	422,991
2016	5,021,254	75,890	5,097,144
Total	<u>\$5,344,288</u>	<u>\$1,021,830</u>	<u>\$6,366,118</u>

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

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 155,000	\$ 279,825	\$ 434,825
2014	165,000	271,687	436,687
2015	175,000	263,025	438,025
2016	180,000	253,838	433,838
2017	190,000	244,387	434,387
2018-2022	1,120,000	1,061,025	2,181,025
2023-2027	1,450,000	733,688	2,183,688
2028-2031	1,895,000	288,225	2,183,225
Total	<u>\$5,330,000</u>	<u>\$3,395,700</u>	<u>\$8,725,700</u>

**11. Commitments and Contingencies**

**Grants** – The Authority receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2012.

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

(continued)

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**Commitments** – The Authority is obligated to complete modernization phases to renovate various facilities. At December 31, 2012, there were four open phases totaling \$6,801,365 for which the Authority has approved funding from HUD to complete.

**Litigation and Claims** – In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2012, the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

## Supplemental Information

**Lucas Metropolitan Housing Authority**  
**Financial Data Schedules**  
**December 31, 2012**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	6 Component Units	2 State/Local	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$6,932,609		\$722,198	\$137,629	\$5,425		\$181,060		\$1,226,927		\$5,701	\$3,054,028	\$12,265,577		\$12,265,577
113 Cash - Other Restricted	\$23,053		\$2,277,853				\$2,138,264		\$192,206		\$0		\$4,631,376		\$4,631,376
114 Cash - Tenant Security Deposits	\$255,025						\$53,160				\$0		\$308,185		\$308,185
115 Cash - Restricted for Payment of Current Liabilities							\$123,222				\$0		\$123,222		\$123,222
100 Total Cash	\$7,210,687	\$0	\$3,000,051	\$137,629	\$5,425	\$0	\$2,495,706	\$0	\$1,419,133	\$0	\$5,701	\$3,054,028	\$17,328,360	\$0	\$17,328,360
122 Accounts Receivable - HUD Other Projects	\$648,621	\$34,022									\$24,855		\$707,498		\$707,498
126 Accounts Receivable - Tenants	\$139,623								\$230		\$0		\$139,853		\$139,853
126.1 Allowance for Doubtful Accounts - Tenants	-\$57,369								\$0		\$0		-\$57,369		-\$57,369
127 Notes, Loans, & Mortgages Receivable - Current									\$112,719		\$0		\$112,719	-\$1,185	\$111,534
128 Fraud Recovery			\$129,300								\$272		\$129,572		\$129,572
128.1 Allowance for Doubtful Accounts - Fraud			-\$129,300								-\$272		-\$129,572		-\$129,572
129 Accrued Interest Receivable									\$9,827		\$0		\$9,827	-\$1,216	\$8,611
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$730,875	\$34,022	\$0	\$0	\$0	\$0	\$0	\$0	\$122,776	\$0	\$24,855	\$0	\$912,528	-\$2,401	\$910,127
131 Investments - Unrestricted									\$563,565		\$0		\$563,565		\$563,565
132 Investments - Restricted							\$1,660,832		\$3,286,485		\$0		\$4,947,317		\$4,947,317
142 Prepaid Expenses and Other Assets	\$31,860		\$24,366				\$919				\$0	\$133,640	\$190,785		\$190,785
143 Inventories											\$0	\$2,514	\$2,514		\$2,514
144 Inter Program Due From											\$0	\$34,022	\$34,022	-\$34,022	\$0
145 Assets Held for Sale									\$75,841		\$0		\$75,841		\$75,841
150 Total Current Assets	\$7,973,422	\$34,022	\$3,024,417	\$137,629	\$5,425	\$0	\$4,157,457	\$0	\$5,467,800	\$0	\$30,556	\$3,224,204	\$24,054,932	-\$36,423	\$24,018,509
161 Land	\$8,382,209						\$1,122,810		\$11,000		\$0	\$47,320	\$9,563,339		\$9,563,339
162 Buildings	\$143,479,672						\$7,130,591		\$609,503		\$0	\$4,433,585	\$155,653,351		\$155,653,351
163 Furniture, Equipment & Machinery - Dwellings	\$814,694										\$0		\$814,694		\$814,694
164 Furniture, Equipment & Machinery - Administration	\$888,269		\$65,621				\$17,783		\$74,318		\$0	\$1,580,633	\$2,626,624		\$2,626,624
166 Accumulated Depreciation	-\$114,068,716		-\$49,868				-\$1,721,625		-\$88,090		\$0	-\$4,484,962	-\$120,413,261		-\$120,413,261
167 Construction in Progress	\$4,553,013						\$7,190,743				\$0	\$110,964	\$11,854,720		\$11,854,720
168 Infrastructure											\$0				
160 Total Capital Assets, Net of Accumulated Depreciation	\$44,049,141	\$0	\$15,753	\$0	\$0	\$0	\$13,740,302	\$0	\$606,731	\$0	\$0	\$1,687,540	\$60,099,467	\$0	\$60,099,467
171 Notes, Loans and Mortgages Receivable Non-Current	\$5,475,000								\$4,273,113		\$0		\$9,748,113	-\$9,125,325	\$622,788
180 Total Non-Current Assets	\$49,524,141	\$0	\$15,753	\$0	\$0	\$0	\$13,740,302	\$0	\$4,879,844	\$0	\$0	\$1,687,540	\$69,847,580	-\$9,125,325	\$60,722,255
190 Total Assets	\$57,497,563	\$34,022	\$3,040,170	\$137,629	\$5,425	\$0	\$17,897,759	\$0	\$10,347,644	\$0	\$30,556	\$4,911,744	\$93,902,512	-\$9,161,748	\$84,740,764



**Lucas Metropolitan Housing Authority**  
**Financial Data Schedules**  
**December 31, 2012**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	6 Component Units	2 State/Local	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days							\$974,528				\$0	\$1,190,822	\$2,165,350		\$2,165,350
321 Accrued Wage/Payroll Taxes Payable	\$63,458		\$21,804						\$1,360		\$0	\$311,294	\$397,916		\$397,916
322 Accrued Compensated Absences - Current Portion	\$83,483		\$30,202						\$1,776		\$0	\$79,888	\$195,349		\$195,349
325 Accrued Interest Payable	\$93,275						\$1,216				\$0		\$94,491	-\$1,216	\$93,275
331 Accounts Payable - HUD PHA Programs				\$65,587							\$0		\$65,587		\$65,587
333 Accounts Payable - Other Government	\$94,698								\$3,241		\$0		\$97,939		\$97,939
341 Tenant Security Deposits	\$255,025						\$53,160				\$0		\$308,185		\$308,185
342 Deferred Revenues	\$21,694										\$0		\$21,694		\$21,694
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$155,000						\$102,410				\$0		\$257,410	-\$1,185	\$256,225
345 Other Current Liabilities	\$25						\$236,965				\$0		\$236,990		\$236,990
346 Accrued Liabilities - Other	\$290,580				\$5,425				\$27,417		\$0	\$14,589	\$338,011		\$338,011
347 Inter Program - Due To		\$34,022									\$0		\$34,022	-\$34,022	\$0
310 Total Current Liabilities	\$1,057,238	\$34,022	\$52,006	\$65,587	\$5,425	\$0	\$1,368,279	\$0	\$33,794	\$0	\$0	\$1,596,593	\$4,212,944	-\$36,423	\$4,176,521
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$5,175,000						\$15,137,904				\$0		\$20,312,904	-\$9,125,325	\$11,187,579
353 Non-current Liabilities - Other	\$23,053		\$329,924								\$0		\$352,977		\$352,977
354 Accrued Compensated Absences - Non Current	\$473,072		\$171,144						\$10,065		\$0	\$452,700	\$1,106,981		\$1,106,981
350 Total Non-Current Liabilities	\$5,671,125	\$0	\$501,068	\$0	\$0	\$0	\$15,137,904	\$0	\$10,065	\$0	\$0	\$452,700	\$21,772,862	-\$9,125,325	\$12,647,537
300 Total Liabilities	\$6,728,363	\$34,022	\$553,074	\$65,587	\$5,425	\$0	\$16,506,183	\$0	\$43,859	\$0	\$0	\$2,049,293	\$25,985,806	-\$9,161,748	\$16,824,058
508.1 Invested In Capital Assets, Net of Related Debt	\$38,719,141		\$15,753				\$1,681,688		\$606,731		\$0	\$1,687,540	\$42,710,853	\$9,126,510	\$51,837,363
511.1 Restricted Net Assets	\$5,475,000		\$1,947,929				\$617,396		\$3,478,691		\$0		\$11,519,016	-\$5,475,000	\$6,044,016
512.1 Unrestricted Net Assets	\$6,575,059	\$0	\$523,414	\$72,042	\$0	\$0	-\$907,508	\$0	\$6,218,363	\$0	\$30,556	\$1,174,911	\$13,686,837	-\$3,651,510	\$10,035,327
513 Total Equity/Net Assets	\$50,769,200	\$0	\$2,487,096	\$72,042	\$0	\$0	\$1,391,576	\$0	\$10,303,785	\$0	\$30,556	\$2,862,451	\$67,916,706	\$0	\$67,916,706
600 Total Liabilities and Equity/Net Assets	\$57,497,563	\$34,022	\$3,040,170	\$137,629	\$5,425	\$0	\$17,897,759	\$0	\$10,347,644	\$0	\$30,556	\$4,911,744	\$93,902,512	-\$9,161,748	\$84,740,764

**Lucas Metropolitan Housing Authority**  
**Financial Data Schedules**  
**December 31, 2012**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	6 Component Units	2 State/Local	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$4,132,637						\$1,096,462		\$7,715		\$0		\$5,236,814		\$5,236,814
70400 Tenant Revenue - Other	\$312,615								\$800		\$0		\$313,415		\$313,415
70500 Total Tenant Revenue	\$4,445,252	\$0	\$0	\$0	\$0	\$0	\$1,096,462	\$0	\$8,515	\$0	\$0	\$0	\$5,550,229	\$0	\$5,550,229
70600 HUD PHA Operating Grants	\$13,465,257	\$342,454	\$25,025,645	\$703,018	\$90,313						\$234,696		\$39,861,383		\$39,861,383
70610 Capital Grants	\$3,420,710										\$0		\$3,420,710		\$3,420,710
70710 Management Fee											\$0	\$2,544,393	\$2,544,393	-\$2,544,393	\$0
70720 Asset Management Fee											\$0	\$335,520	\$335,520	-\$335,520	\$0
70730 Book Keeping Fee											\$0	\$518,946	\$518,946	-\$518,946	\$0
70740 Front Line Service Fee											\$0	\$860,617	\$860,617	-\$860,617	\$0
70750 Other Fees											\$0				
70700 Total Fee Revenue											\$0	\$4,259,476	\$4,259,476	-\$4,259,476	\$0
70800 Other Government Grants						\$1,300,000				\$1,870,672	\$0		\$3,170,672		\$3,170,672
71100 Investment Income - Unrestricted	\$6,348		\$640				\$156		\$29,025		\$0	\$195	\$36,364		\$36,364
71200 Mortgage Interest Income									\$28,630		\$0		\$28,630	\$14,449	\$14,181
71400 Fraud Recovery			\$81,274								\$2,480		\$83,754		\$83,754
71500 Other Revenue	\$94,278		\$22,795				\$436,545		\$433,494		\$0	\$66,994	\$1,054,106		\$1,054,106
71600 Gain or Loss on Sale of Capital Assets											\$0	\$74,864	\$74,864		\$74,864
72000 Investment Income - Restricted			\$2,387				\$0		\$20,849		\$0		\$23,236		\$23,236
70000 Total Revenue	\$21,431,845	\$342,454	\$25,132,741	\$703,018	\$90,313	\$1,300,000	\$1,533,163	\$0	\$520,513	\$1,870,672	\$237,176	\$4,401,529	\$57,563,424	-\$4,273,925	\$53,289,499
91100 Administrative Salaries	\$960,603		\$1,107,999	\$43,914			\$39,150		\$61,858		\$13,760	\$1,908,407	\$4,135,691		\$4,135,691
91200 Auditing Fees	\$17,208		\$16,364	\$637			\$1,500				\$200	\$6,797	\$42,706		\$42,706
91300 Management Fee	\$2,005,823		\$478,718	\$18,627			\$35,388				\$5,837	\$2,544,393	\$2,544,393	-\$2,544,393	\$0
91310 Book-keeping Fee	\$241,951		\$263,528	\$10,254							\$3,213		\$518,946	-\$518,946	\$0
91400 Advertising and Marketing	\$1,320		\$1,659	\$65			\$15,817		\$529		\$20	\$85,194	\$104,604		\$104,604
91500 Employee Benefit contributions - Administrative	\$407,292		\$413,697	\$16,097			\$9,170		\$26,337		\$5,044	\$594,963	\$1,472,600		\$1,472,600
91600 Office Expenses	\$231,128		\$108,194	\$5,035			\$4,502		\$5,410		\$1,520	\$292,832	\$648,621	-\$39,220	\$609,401
91700 Legal Expense	\$31,071		\$4,096	\$159			\$2,535		\$103,795		\$50	\$49,226	\$190,932	-\$58,308	\$132,624
91800 Travel	\$7,400		\$2,377	\$93			\$54		\$546		\$29	\$52,512	\$63,011		\$63,011
91900 Other	\$1,014,389		\$253,397	\$8,988			\$12,842		\$337,639		\$2,871	\$752,899	\$2,383,025		\$2,383,025
91000 Total Operating - Administrative	\$4,918,185	\$0	\$2,650,029	\$103,869	\$0	\$0	\$120,958	\$0	\$536,114	\$0	\$32,544	\$3,742,830	\$12,104,529	-\$3,160,867	\$8,943,662

**Lucas Metropolitan Housing Authority**  
**Financial Data Schedules**  
**December 31, 2012**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	6 Component Units	2 State/Local	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	\$335,520										\$0		\$335,520	-\$335,520	\$0
92100 Tenant Services - Salaries		\$225,162									\$0		\$225,162		\$225,162
92200 Relocation Costs	\$38,213										\$0		\$38,213		\$38,213
92300 Employee Benefit Contributions - Tenant Services											\$0				
92400 Tenant Services - Other	\$427,878	\$117,292							\$50,571		\$0	\$1,000	\$596,741		\$596,741
92500 Total Tenant Services	\$466,091	\$342,454	\$0	\$0	\$0	\$0	\$0	\$0	\$50,571	\$0	\$0	\$1,000	\$860,116	\$0	\$860,116
93100 Water	\$1,396,623		\$1,871	\$73			\$48,091		\$1,794		\$23	\$23,634	\$1,472,109		\$1,472,109
93200 Electricity	\$1,107,893		\$19,237	\$749			\$20,111		\$2,088		\$235	\$66,281	\$1,216,594		\$1,216,594
93300 Gas	\$617,451		\$2,754	\$107			\$650		\$1,799		\$34	\$23,825	\$646,620		\$646,620
93400 Fuel											\$0				
93500 Labor											\$0				
93600 Sewer											\$0				
93700 Employee Benefit Contributions - Utilities											\$0				
93800 Other Utilities Expense											\$0				
93000 Total Utilities	\$3,121,967	\$0	\$23,862	\$929	\$0	\$0	\$68,852	\$0	\$5,681	\$0	\$292	\$113,740	\$3,335,323	\$0	\$3,335,323
94100 Ordinary Maintenance and Operations Labor	\$2,097,554						\$23,587				\$0	\$359,535	\$2,480,676		\$2,480,676
94200 Ordinary Maintenance and Operations Materials and Other	\$935,361		\$21,962	\$855			\$26,608		\$8,197		\$268	\$193,987	\$1,187,238		\$1,187,238
94300 Ordinary Maintenance and Operations Contracts	\$2,755,031		\$47,552	\$1,684			\$96,840		\$13,055		\$528	\$58,467	\$2,973,157	-\$763,089	\$2,210,068
94500 Employee Benefit Contributions - Ordinary Maintenance	\$778,646						\$11,499				\$0	\$134,021	\$924,166		\$924,166
94000 Total Maintenance	\$6,566,592	\$0	\$69,514	\$2,539	\$0	\$0	\$158,534	\$0	\$21,252	\$0	\$796	\$746,010	\$7,565,237	-\$763,089	\$6,802,148
95200 Protective Services - Other Contract Costs	\$1,167,474		\$1,645				\$3,677				\$0	\$5,355	\$1,178,151		\$1,178,151
95000 Total Protective Services	\$1,167,474	\$0	\$1,645	\$0	\$0	\$0	\$3,677	\$0	\$0	\$0	\$0	\$5,355	\$1,178,151	\$0	\$1,178,151
96110 Property Insurance	\$294,922		\$4,614				\$22,065		\$985		\$0	\$8,712	\$331,298		\$331,298
96120 Liability Insurance	\$186,336		\$25,219	\$1,161			\$1,800		\$177		\$364	\$28,260	\$243,317		\$243,317
96130 Workmen's Compensation	\$83,537		\$30,272	\$1,178			\$868		\$1,685		\$369	\$47,222	\$165,131		\$165,131
96100 Total Insurance Premiums	\$564,795	\$0	\$60,105	\$2,339	\$0	\$0	\$24,733	\$0	\$2,847	\$0	\$733	\$84,194	\$739,746	\$0	\$739,746
96200 Other General Expenses	\$23,755		\$60,025	\$44			\$305		\$11,789		\$14	\$18,738	\$114,670		\$114,670
96210 Compensated Absences	\$-10,187		\$1,961	\$76					\$1,127		\$24	-\$140,502	-\$147,501		-\$147,501
96300 Payments in Lieu of Taxes	\$182,519						\$260,401		\$5,634		\$0		\$448,554		\$448,554
96400 Bad debt - Tenant Rents	\$182,576										\$0		\$182,576		\$182,576
96000 Total Other General Expenses	\$378,663	\$0	\$61,986	\$120	\$0	\$0	\$260,706	\$0	\$18,550	\$0	\$38	-\$121,764	\$598,299	\$0	\$598,299
96710 Interest of Mortgage (or Bonds) Payable							\$328,606				\$0		\$328,606		\$328,606
96720 Interest on Notes Payable (Short and Long Term)							\$14,449				\$0		\$14,449	-\$14,449	\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$343,055	\$0	\$0	\$0	\$0	\$0	\$343,055	-\$14,449	\$328,606
96900 Total Operating Expenses	\$17,519,287	\$342,454	\$2,867,141	\$109,796	\$0	\$0	\$980,515	\$0	\$635,015	\$0	\$34,403	\$4,571,365	\$27,059,976	-\$4,273,925	\$22,786,051
97000 Excess of Operating Revenue over Operating Expenses	\$3,912,558	\$0	\$22,265,600	\$593,222	\$90,313	\$1,300,000	\$552,648	\$0	-\$114,502	\$1,870,672	\$202,773	-\$169,836	\$30,503,448	\$0	\$30,503,448

**Lucas Metropolitan Housing Authority**  
**Financial Data Schedules**  
**December 31, 2012**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	6 Component Units	2 State/Local	1 Business Activities	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$17,608										\$0		\$17,608		\$17,608
97300 Housing Assistance Payments			\$24,285,114	\$588,505	\$90,313						\$198,057		\$25,161,989		\$25,161,989
97400 Depreciation Expense	\$3,106,689		\$3,690			\$272,104		\$25,870			\$0	\$312,528	\$3,720,881		\$3,720,881
90000 Total Expenses	\$20,643,584	\$342,454	\$27,155,945	\$698,301	\$90,313	\$0	\$1,252,619	\$0	\$660,885	\$0	\$232,460	\$4,883,893	\$55,960,454	-\$4,273,925	\$51,686,529
10010 Operating Transfer In	\$866,124								\$3,170,672		\$0		\$4,036,796	-\$4,036,796	\$0
10020 Operating transfer Out	-\$866,124										\$0		-\$4,036,796	\$4,036,796	\$0
10080 Special Items (Net Gain/Loss)	-\$484,016										\$0		-\$484,016		-\$484,016
10091 Inter Project Excess Cash Transfer In	\$400,000										\$0		\$400,000	-\$400,000	\$0
10092 Inter Project Excess Cash Transfer Out	-\$400,000										\$0		-\$400,000	\$400,000	\$0
10100 Total Other financing Sources (Uses)	-\$484,016	\$0	\$0	\$0	\$0	-\$1,300,000	\$0	\$0	\$3,170,672	-\$1,870,672	\$0	\$0	-\$484,016	\$0	-\$484,016
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$304,245	\$0	-\$2,023,204	\$4,717	\$0	\$0	\$280,544	\$0	\$3,030,300	\$0	\$4,716	-\$482,364	\$1,118,954	\$0	\$1,118,954
11020 Required Annual Debt Principal Payments	\$145,000	\$0	\$0	\$0	\$0	\$0	\$89,726	\$0	\$0	\$0	\$0	\$0	\$234,726		\$234,726
11030 Beginning Equity	\$50,464,955	\$0	\$4,504,532	\$67,325	\$0	\$0	\$1,111,032	\$5,768	\$7,273,485	\$0	\$25,840	\$3,344,815	\$66,797,752		\$66,797,752
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$5,768					-\$5,768			\$0		\$0		\$0
11170 Administrative Fee Equity			\$539,167								\$0		\$539,167		\$539,167
11180 Housing Assistance Payments Equity			\$1,947,929								\$0		\$1,947,929		\$1,947,929
11190 Unit Months Available	32174		51756	1800	224		2280		264		564		89062		89062
11210 Number of Unit Months Leased	31517		50946	1781	224		2099		246		564		87377		87377
11270 Excess Cash	\$5,484,018										\$0		\$5,484,018		\$5,484,018
11620 Building Purchases	\$3,420,710										\$0	\$0	\$3,420,710		\$3,420,710
13510 CFFP Debt Service Payments	\$286,180										\$0	\$0	\$286,180		\$286,180

**Lucas Metropolitan Housing Authority**  
**Statement and Certification of Actual Modernization Cost**  
**through December 31, 2012**

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Capital Fund Program Number OH12P00650107

1. The Program Costs are as follows:

Funds Approved	\$ 4,982,100
Funds Expended	4,982,100
Excess (Deficiency) of Funds Approved	<u>\$ -</u>

Funds Advanced	\$ 4,982,100
Funds Expended	4,982,100
Excess (Deficiency) of Funds Approved	<u>\$ -</u>

3. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on May 23, 2013.
2. The final costs on the certification agree to the Authority's records.

**Lucas Metropolitan Housing Authority**  
**Statement and Certification of Actual Modernization Cost**  
**through December 31, 2012**

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Capital Fund Program Number OH12P00650108

1. The Program Costs are as follows:

Funds Approved	\$ 5,080,226
Funds Expended	<u>5,080,226</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -</u></u>

Funds Advanced	\$ 5,080,226
Funds Expended	<u>5,080,226</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -</u></u>

3. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on May 23, 2013.
2. The final costs on the certification agree to the Authority's records.

**LUCAS METROPOLITAN HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Housing and Urban Development</b>		
<i>Direct Programs:</i>		
Public and Indian Housing	14.850	\$ 11,606,926
Housing Choice Voucher Cluster:		
Section 8 Housing Choice Voucher Program	14.871	25,025,645
Total Housing Choice Voucher Cluster		<u>25,025,645</u>
Supportive Housing for Persons with Disabilities	14.181	703,018
Section 8 Project-Based Cluster		
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	234,696
Total Section 8 Project-based Cluster		<u>234,696</u>
Capital Fund Program Cluster:		
Public Housing Capital Fund	14.872	5,279,041
Total Capital Fund Program Cluster		<u>5,279,041</u>
Shelter Plus Care	14.238	90,313
Resident Opportunity and Supportive Services - Service Coordinators	14.870	<u>342,454</u>
Total Direct Programs		<u>43,282,093</u>
<i>Programs Passed through the City of Toledo:</i>		
Home Investment Partnerships Program	14.239	1,300,000
Neighborhood Stabilization Program (Recovery Act Funded)	14.256	<u>1,870,672</u>
Total Passed Through Programs		<u>3,170,672</u>
Total Expenditures of Federal Awards		<u>\$ 46,452,765</u>

See accompanying notes to schedule.

**LUCAS METROPOLITAN HOUSING AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. Basis of Presentation**

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

**2. Public Housing Capital Funds (CFDA Number 14.872)**

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

OH12P006501-09	\$ 507,208
OH12P006501-10	2,344,046
OH12P006501-11	2,369,541
OH12P006501-12	<u>58,246</u>
Total	<u>\$5,279,041</u>

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

The Home Investment Partnerships Program and the Neighborhood Stabilization Program (Recovery Act Funded) were provided as part of the mixed financing arrangement for Phase I of the new Collingwood Green Senior Complex Project. The grant documents do not provide a pass through entity identification number. The grants were provided by the City of Toledo, Department of Neighborhoods as a pass-through award of funds received from HUD.



# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Lucas Metropolitan Housing Authority  
Toledo, Ohio

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 Lucas Metropolitan Housing Authority, Toledo, Ohio (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 7, 2013, wherein we noted the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Pre November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

### **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 opinions 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 entity'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
June 7, 2013

# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners  
Lucas Metropolitan Housing Authority  
Toledo, Ohio

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

We have audited the Lucas Metropolitan Housing Authority, Toledo, Ohio (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2012. The Authority's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each 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 Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Bastin & Company, L L C*

Cincinnati, Ohio  
June 7, 2013

**LUCAS METROPOLITAN HOUSING AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB Circular A-133 § .505  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>SUMMARY OF AUDITORS' RESULTS</b>
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Type of financial statement opinion	Unqualified
Were there any material control weaknesses reported at the financial statement level?	No
Were there any other significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance reported at the financial statement level?	No
Were there any material internal control weakness reported for major federal programs?	No
Were there any other significant deficiencies in internal control reported for major federal programs?	No
Type of major programs' compliance opinion	Unqualified
Are there any reportable findings?	No
Major programs:	Section 8 Housing Choice Voucher Program CFDA 14.871 Public and Indian Housing Program CFDA 14.850 Home Investment Partnerships Program CFDA 14.239 Neighborhood Stabilization Program CFDA 14.256
Dollar threshold to distinguish between Type A/B programs:	Type A: >\$1,393,583 Type B: all others
Low risk auditee?	No

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS        REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**LUCAS METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

There were no findings in the prior year audit report.



# Dave Yost • Auditor of State

**LUCAS METROPOLITAN HOUSING AUTHORITY**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 15, 2013**