Perry & Associates
Certified Public Accountants, A.C.

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
Single Audit
For the Year Ended June 30, 2018

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

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OHIO AUDITOR OF STATE
KEITH FABER

Board of Commissioners
Lake Metropolitan Housing Authority
189 First Street
Painesville, Ohio 44077

We have reviewed the *Independent Auditor's Report* of the Lake Metropolitan Housing Authority, Lake County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 11, 2019

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LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

December 14, 2018

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lake Metropolitan Housing Authority**, Lake County, Ohio (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Metropolitan Housing Authority, Lake County as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, during the year ended June 30, 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The supplemental financial data schedule presented on pages 40 and 41 and the Schedule of Federal Grants – Completed on page 42 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not required parts of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The Lake Metropolitan Housing Authority's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues or concerns. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. Please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During FY 2018, the Authority's net position decreased by $696,813 (or 11.32%). The large decrease was due to the effects of GASB 68 (Accounting and Financial Reporting for Pensions) and GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions). Net position was $5,457,307 and $6,154,120 for FY 2018 and FY 2017, respectively.

- Total revenue increased by $453,296 (or 4.06%) during FY 2018. The majority of the increase was a result of stronger lease rates in all tenant programs. Total revenues were $11,630,040 and $11,176,744 for FY 2018 and FY 2017 respectively.

- The total expenses of the Authority increased by $108,046 (or 0.94%). The majority of the increased landlord expense due to strong lease rates was offset by administrative and maintenance expense savings. Total expenses were $11,650,467 and $11,542,421 for FY 2018 and FY 2017 respectively.

Authority Financial Statements

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

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

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

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

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

Authority Financial Statements (continued)

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

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

In accordance with GASB 68 and 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension and OPEB expense for their proportionate share of each plan's change in net pension and OPEB liability not accounted for as deferred inflows/outflows.

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

The purpose of the Statement of Revenues, Expenses and Changes in Net Position is to report the agency's operating performance for the fiscal year. The "Change in Net Position" (similar to Net Income or Loss in the private sector), is the result.

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

Fund Financial Statements

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

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

The Authority's Programs

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

The Authority's Programs (continued)

Capital Fund Program

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

Multi-Family (RAD - PBRA)

On April 1, 2018 Lake Metropolitan Housing Authority converted 241 of the pre-existing 266 Public Housing units to HUD's Multifamily Housing Program under the HUD Rental Assistance Demonstration (RAD) program. Although still funded by HUD, the revenue stream under the Multi-Family program is more predictable than Public Housing and the covenant restrictions of the Declaration of Trust on the properties have been removed. All of the former Public Housing tenants in those converted units were notified prior to the conversion of the change, and nearly all signed new leases and remained in their unit. Rental amounts varied slightly between the two programs and most changes were minimal. Any difference over 10% was required to be phased in over three years.

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

Parkview Place: Two adjacent apartment buildings located in Willoughby, Ohio were purchased in 2012 and renovated in 2013 and 2014. They consists of forty total units, twenty-five Public Housing units funded under the ACC, eligible to receive Operating Subsidy and Capital Funds, and fifteen units reported as **Other Federal Programs 2**. These 15 units have been funded from sources "other than federal funds" and are operated from internally generated and other funds which may include, but are not limited to, **State and Local** program funds.

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

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

TABLE 1

STATEMENT OF NET POSITION

	6/30/2018	6/30/2017
Current and Other Assets	$ 1,522,706	$ 1,234,243
Capital Assets	6,022,989	6,166,999
Net Pension Asset	16,582	6,980
Total Assets:	$ 7,562,277	$ 7,408,222
Deferred Outflows of Resources	270,829	582,228
Current Liabilities	$ 329,872	$ 310,441
Non-Current Liabilities	50,079	61,956
Net Pension and OPEB Liability	1,663,606	1,434,256
Total Liabilities:	$ 2,043,557	$ 1,806,653
Deferred Inflows of Resources	332,242	29,677
Net Position:		
Net Investment In Capital Assets	$ 6,022,989	$ 6,166,999
Restricted	49,556	7,528
Unrestricted	(615,238)	(20,407)
TOTAL NET POSITION:	$ 5,457,307	$ 6,154,120

For more detailed information see page 11 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Total assets increased by $154,055 or 2.08% and total liabilities increased by $236,904 or 13.11%. Current assets are used to extinguish liabilities. The decrease in total assets is primarily related to decreased capital assets (due to depreciation). The overall increase in total liabilities was a result of an increase in net pension and OPEB liabilities as a result of GASB 68 and 75 reporting requirements.

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

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/17		$	(20,407)
Results of Operations	(20,427)		
Adjustments:			
Depreciation (1)	306,280		
Restatement of Prior Net Position (due to adoption of GASB 75)	(676,386)		
Change in Restricted Net Position	(42,028)		
Adjusted Results from Operations			(432,561)
Net Change in Capital Assets			(162,270)
Unrestricted Net Position 6/30/18			**(615,238)**

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

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

Table 3 reflects the annual changes of restricted net position balance in Fiscal Year 2018. These funds can only be used for Housing Assistance Payments (HAP) in the Housing Choice Voucher program.

TABLE 3

CHANGE OF RESTRICTED NET POSITION

Restricted Net Assets - 6/30/2017			$	7,528
HAP Revenue less Expense	$	15,558		
Fraud Revenue Collection		15,137		
FSS Forfeitures		11,333		
Change in Restricted Net Position				42,028
Restricted Net Position - 6/30/2018			**$**	**49,556**

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

TABLE 4

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	FY 2018	FY 2017
Revenue:		
HUD Operating Subsidies and Grants	$ 10,617,997	$ 10,180,038
Tenant Revenue	951,034	880,011
Capital Grant	-	55,179
Investment Income	1,529	738
Other Revenue	59,480	60,778
Total Revenue	**$ 11,630,040**	**$ 11,176,744**
Expenses:		
Housing Assistance Payments	$ 8,914,290	$ 8,571,027
Administrative Expense	1,546,212	1,647,840
Utilities	277,439	277,361
Maintenance	422,304	530,068
Protective Services	9,554	9,079
General Expenses	174,388	174,514
Extraordinary Maintenance	-	4,750
Depreciation Expense	306,280	327,782
Total Expenses	**$ 11,650,467**	**$ 11,542,421**
Net Increase (Decrease)	**$ (20,427)**	**$ (365,677)**

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

There is an overall decrease in net position as opposed to last year. The majority of this is due to normal depreciation expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/18 the Authority had $6,022,989 in capital assets as reflected in the following schedule, which represents a net decrease of $144,010 over last fiscal year end.

TABLE 5

CAPITAL ASSETS AT YEAR-END (Net of Depreciation)

	6/30/2018	6/30/2017
Land and Land Rights	1,028,099	1,028,099
Building & Improvements	13,722,045	13,722,045
Equipment - Dwelling	63,017	63,017
Equipment - Administrative	500,944	500,943
Construction in Progress	162,270	-
Accumulated Depreciation	(9,453,386)	(9,147,105)
Total	**$ 6,022,989**	**$ 6,166,999**

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

TABLE 6

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance, July 1, 2017	$ 6,166,999
Additions	162,270
Deletions	-
Depreciation	(306,280)
Ending Balance, June 30,2018	**$ 6,022,989**

The majority of the decrease in Capital Assets is due to depreciation expense. The additions and deletions are related to purchase and sale of capital assets in the normal course of business.

Debt Outstanding

As of 6/30/18 the Authority had no outstanding debt.

ECONOMIC FACTORS

Lake Metropolitan Housing Authority is dependent on HUD subsidies to administer its programs and maintain its properties. Federal budget cuts over the last several years have resulted in reduced subsidies for our two major programs, Housing Choice Voucher and Public Housing. The Authority continues to focus on operating efficiency and financial responsibility as we expect the uncertain federal funding climate to continue into the foreseeable future. We will also continue to explore potential alternative funding sources and growth areas that do not require dependence on federal funding.

Financial Contact

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

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	$	1,203,207
Cash and Cash Equivalents - Restricted		241,636
Receivables, Net		34,396
Prepaid Expenses		43,467
Total Current Assets		1,522,706
Noncurrent Assets:		
Capital Assets:		
Land		1,028,099
Building and Equipment		14,286,006
Construction in Progress		162,270
Less: Accumulated Depreciation		(9,453,386)
Net Pension Asset:		16,582
Total Noncurrent Assets		6,039,571
Total Assets		7,562,277
Deferred Outflows of Resources		
Changes of Assumptions		166,642
Differences between expected and actual experience		1,524
Changes in Proportion		45,503
Employer contributions subsequent to the measurement date		57,160
Total Deferred Outflows of Resources		270,829
Total Assets and Deferred Outflows of Resources	$	7,833,106
Liabilities		
Current Liabilities:		
Accounts Payable	$	54,298
Accrued Liabilities		185,984
Accrued Compensated Absences		12,520
Tenant Security Deposits		77,070
Total Current Liabilities		329,872
Long Term Liabilities:		
Accrued Compensated Absences		50,079
Net Pension and OPEB Liability		1,663,606
Total Long Term Liabilities		1,713,685
Total Liabilities		2,043,557
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments		258,832
Differences between expected and actual experience		23,537
Changes in Proportion		49,873
Total Deferred Inflows of Resources		332,242
Net Position:		
Net Investment In Capital Assets		6,022,989
Restricted		49,556
Unrestricted		(615,238)
Total Net Position		5,457,307
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	7,833,106

See accompanying notes to the basic financial statements.

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Operating Revenues:	
Tenant Revenue	$ 951,034
Government Operating Grants	10,617,997
Other Revenue	59,480
Total Operating Revenues	11,628,511
Operating Expenses:	
Administrative	1,546,212
Utilities	277,439
Maintenance	422,304
Insurance	74,645
General	99,743
Protective Services	9,554
Housing Assistance Payments	8,914,290
Depreciation	306,280
Total Operating Expenses	11,650,467
Operating Income (Loss)	(21,956)
Other Non-Operating Revenues and Expenses:	
Investment Income - Unrestricted	1,529
Total Other Non-Operating Revenues and Expenses	1,529
Change in Net Position	(20,427)
Net Position, Beginning of the Year (Restated - See Note 6)	5,477,734
Net Position, End of Year	$ 5,457,307

See accompanying notes to the basic financial statements.

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Operating Grants	$	10,617,997
Cash Received from Tenants		922,168
Cash Received from Other Income		59,480
Cash Payments for Housing Assistance Payments		(8,914,290)
Cash Payments for General and Administrative Expenses Paid		(2,275,271)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		410,084
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earned		1,529
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		1,529
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Assets Purchased		(162,270)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		(162,270)
Net Increase (Decrease) in Cash and Cash Equivalents		249,343
Cash and Cash Equivalents at Beginning of Year		1,195,500
Cash and Cash Equivalents at End of Year	$	1,444,843
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net Operating Income (Loss)	$	(21,956)
Adjustments:		
Depreciation		306,280
Non Cash Benefit Expense (GASB 68 & 75)		157,326
(Increase) Decrease in :		
Receivables, Net		(29,710)
Prepaid Expenses		(9,410)
Increase (Decrease) in:		
Accounts Payable		4,469
Accrued Liabilities		17,086
Tenant Security Deposits		844
Accrued Compensated Absences		(14,845)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$	410,084

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

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

Basis of Presentation

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Description of Programs

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

Public Housing Program

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

Capital Fund Program

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

Housing Choice Voucher Program

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

Multi-Family (RAD - PBRA)

On April 1, 2018 Lake Metropolitan Housing Authority converted 241 of the pre-existing 266 Public Housing units to HUD’s Multifamily Housing Program under the HUD Rental Assistance Demonstration (RAD) program. Although still funded by HUD, the revenue stream under the Multi-Family program is more predictable than Public Housing and the covenant restrictions of the Declaration of Trust on the properties have been removed. All of the former Public Housing tenants in those converted units were notified prior to the conversion of the change, and nearly all signed new leases and remained in their unit. Rental amounts varied slightly between the two programs and most changes were minimal. Any difference over 10% was required to be phased in over three years.

Parkview Place (Other Federal Programs 2)

Parkview Place, comprised of two adjacent apartment buildings located in Willoughby, Ohio was purchased in 2012 and renovated in 2013 and 2014. It consists of forty total units, twenty-five Public Housing units funded under the ACC, eligible to receive Operating Subsidy and Capital Funds, and fifteen affordable housing units reported as Other Federal Programs 2. These 15 units have been funded from sources “other than federal funds” and are operated from internally generated and other funds which may include, but are not limited to, State and Local program funds. Occasionally, LMHA may apply for and receive additional funding from the Lake County allocation of federal funding, including Community Development Block Grant (CDBG) and HOME funds. This activity is reported in this fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Programs (Continued)

State and Local

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

Budgetary Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

Capital Assets

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

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

Total depreciation expense for the 2018 fiscal year was $306,280.

Capitalization of Interest

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

The following is a summary of changes in compensated absence for the fiscal year ending June 30, 2018:

Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
$ 77,444	$ 65,107	$ 79,953	$ 62,598	$ 12,520

Prepaid Items

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

Operating Revenues and Expenses

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

Accounts Receivable
Management considers all accounts receivable to be collectable.

Accrued Interest Receivable

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net Position represents the difference between all other elements in a statement of financial position. 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 usage through external restrictions imposed by creditors, grantors or laws or regulations of governments.

Net Position can be displayed in three components as follows:

1. Net Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation and related debt.

2. Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year-end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted Net Positions are available, the Authority first applies restricted net position. Net Position restricted by HUD was $49,556.

3. Unrestricted - This consists of Net Position that does not meet the definition of “net investment in capital assets or restricted net position”.

Income Taxes

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 5 and 7.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 5 and 7.

Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Deposits

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.At year-end, the carrying amount of the Authority's deposits was $1,444,843 (including $337 of petty cash) and the bank balance was $1,521,260. The difference is primarily outstanding checks at fiscal year- end.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. The financial institution collateral pool that insures public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling $500,000 were covered by Federal Depository and $1,021,260 was covered by the collateral pool.

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

Investments

The Authority had only demand deposits at June 30, 2018, therefore is not subject to interest rate, credit concentration, or custodial credit risk.

NOTE 3 – RESTRICTED CASH

Restricted cash balance as of June 30, 2018 of $241,636 represents the following:

Unspent funding provided by HUD to make Housing Assistance Payments in the Housing Choice Voucher Program:	$ 49,556
Family Self-Sufficiency Escrows :	115,010
Tenant Security Deposits:	77,070
Total:	$241,636

NOTE 4 – CAPITAL ASSETS

A summary of capital assets at June 30, 2018 is as follows:

	Balance 6/30/2017	Increase	Decrease	Balance 6/30/2018
Capital Assets Not Depreciated				
Land	$ 1,028,099	$ -	$ -	$ 1,028,099
Construction In Progress	$ -	$ 162,270	$ -	$ 162,270
Total Capital Assets Not Depreciated	1,028,099	162,270	-	1,190,369
Capital Assets Depreciated				
Buildings and Improvements	13,722,045	-	-	13,722,045
Furniture, Equipment and Machinery	563,961	-	-	563,961
Total Capital Assets Depreciated	14,286,006	-	-	14,286,006
Accumulated Depreciation				
Buildings and Improvements	(8,653,117)	(271,380)	-	(8,924,497)
Furniture, Equipment and Machinery	(493,989)	(34,900)	-	(528,889)
Total Accumulated Depreciation	(9,147,106)	(306,280)	-	(9,453,386)
Total Capital Assets Depreciated, Net	5,138,900	(306,280)	-	4,832,620
Total Capital Assets, Net	$ 6,166,999	$ (144,010)	$ -	$ 6,022,989

NOTE 5 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

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

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

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

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

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

	State and Local
2017 - 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and 0.0 percent for 2018.

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

The Authority's contractually required contribution for pension was $111,343 for fiscal year ending June 30, 2018.

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

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

The net pension liability/(asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.006316%	0.012541%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.006015%	0.012181%	
Change in Proportionate Share	-0.000301%	-0.000360%	
Proportionate Share of the Net Pension Liability/(Asset)	$ 943,637	$ (16,582)	$ 927,055
Pension Expense	$ 159,227	$ (590)	$ 158,637

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 963	$ 0	$ 963
Changes of assumptions	112,771	1,450	114,221
Changes in proportion and differences between Authority contributions and proportionate share of contributions	45,033	470	45,503
Authority contributions subsequent to the measurement date	53,784	3,376	57,160
Total Deferred Outflows of Resources	$ 212,551	$5,296	$217,847
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 202,583	$ 2,616	$ 205,199
Differences between expected and actual experience	18,597	4,940	23,537
Changes in proportion and differences between Authority contributions and proportionate share of contributions	38,184	74	38,258
Total Deferred Inflows of Resources	$259,364	$7,630	$ 266,994

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

$57,160 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan	OPERS Combined Plan	Total
Year Ending June 30:			
2019	$ 103,542	$ (782)	$ 102,760
2020	(31,687)	(851)	(32,538)
2021	(89,207)	(1,437)	(90,644)
2022	(83,245)	(1,374)	(84,619)
2023	0	(457)	(457)
Thereafter	0	(809)	(809)
Total	$ (100,597)	$ (5,710)	$ (106,307)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

Authority's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	$ 1,675,659	$ 943,637	$ 333,351
Combined Plan	$ (9,014)	$ (16,582)	$ (21,804)

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLE

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$	6,154,120
Adjustments:		
Net OPEB liability		(686,823)
Deferred Outflow - Payments Subsequent to Measurement Date		10,437
Restated Net Position June 30, 2017	$	5,477,734

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 7 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

Upon termination or retirement, Member-Directed Plan participants can use vested retiree medical account funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest in health care over 15 years at a rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in health care over a five-year period at a rate of 20% per year. Health care coverage is neither guaranteed nor statutorily required.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and decreased to 0.0 percent for 2018. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts was 4.0 percent for 2017. The Authority's contractually required contribution was $8,131 for fiscal year ending June 30, 2018.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority’s share of total contributions relative to the total contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.006800%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.006630%
Change in Proportionate Share	-0.000170%
Proportionate Share of the Net OPEB Liability	$ 719,969
OPEB Expense	$ 55,849

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 561
Changes of assumptions	52,421
Total Deferred Outflows of Resources	$ 52,982
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 53,633
Changes in proportion and differences between Authority contributions and proportionate share of contributions	11,615
Total Deferred Inflows of Resources	$ 65,248

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Year Ending June 30:	OPERS
2019	$ 6,368
2020	6,368
2021	(11,593)
2022	(13,409)
Total	$ (12,266)

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The total OPEB liability was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Single Discount Rate	3.85 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including inflati	3.25 to 10.75 percent including wage inflation
Actuarial Cost Method	Individual Entry Age Normal

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

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE 7 – DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 956,510	$ 719,969	$ 528,610

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 688,857	$ 719,969	$ 752,107

NOTE 8 – RISK MANAGEMENT

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

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, which transitioned to prospective billing January 1, 2016. Rates were previously calculated retrospectively. Employers must reconcile their actual payroll for the prior policy year within 45 days after the close of the policy year.

NOTE 9 – LONG-TERM LIABILITIES

Changes in other long-term obligations of the Authority during the year ended June 30, 2018 were as follows:

	6/30/2017	Additions	Deletions	6/30/2018
Non-Current Accrued Comp. Absences	$ 61,956	$ 52,085	$ (63,962)	$ 50,079
Net Pension and OPEB Liability	2,120,538	-	(456,932)	1,663,606
Total	$ 2,182,494	$ 52,085	$ (520,894)	$ 1,713,685

NOTE 10 – CONTINGENT LIABILITIES

Litigations and Claims

In the normal course of operations the MHA may be subject to litigation and claims other than those associated with routine eviction cases and administrative appeals of participants who have been terminated from the Housing Choice Voucher Program. At June 30, 2018 the MHA was involved in one such case. Although the outcome of that case is uncertain at this time, management believes the ultimate resolution will not have a material adverse effect on the overall financial position of the Authority.

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recapture amounts would not have a material adverse effect on the overall financial position at June 30, 2018.

NOTE 11 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2018, the Authority electronically submitted an unaudited version of the statement of net position, statement of revenues, expenses and changes in net position and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by HUD.

NOTE 12 – INTER-PROGRAM RECEIVABLES/PAYABLES

Inter-program balance at June 30, 2018, consists of the following receivables and payables:

	Due From	Due To
Public Housing	$ 25,082	$ -
Housing Choice Voucher	-	16,876
Multi-Family (RAD - PBRA)		8,018
Other Federal Program 2	944	-
State and Local	-	1,132
	$ 26,026	$ 26,026

Lake MHA operates several programs that share certain resources ranging from office supplies to personnel and benefits. Each shared resource has a strict allocation based on historical and empirical data. Those allocations are built into the various systems (financial software, payroll, etc.) and are reviewed and updated periodically. All Authority vendor and payroll expenses are then paid through one cash account for control purposes with those allocations being automatically applied and inter-program balances updated. These amounts are usually immaterial and are reconciled on a monthly basis once the actual amount is determined. The majority of inter-program Due From/Due To balances are due to timing differences between the accrual of expense items and actual payment of those program expenses as required by GAAP financial reporting. These inter-program balances are eliminated for the consolidated Statement of Net Position on page 11.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2018, the date on which the financial statements were to be issued, and is not aware of any matter to disclose or to consider disclosing concerning such an event.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2018

Ohio Public Employees Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.006015%	0.006316%	0.005391%	0.005801%	0.005801%
Authority's proportionate share of the net pension liability (asset) - Traditional Plan	$ 943,637	$ 1,434,256	$ 933,791	$ 699,665	$ 683,862
Authority's covered payroll	$ 794,890	$ 816,422	$ 823,412	$ 759,350	$ 757,911
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	118.71%	175.68%	139.17%	98.37%	96.33%
Plan fiduciary net position as a percentage of the total pension liability - Traditional Plan	84.66%	77.25%	81.08%	86.45%	86.36%
Authority's proportion of the net pension liability (asset) (percentage) - Combined Plan	0.012181%	0.012541%	0.013140%	0.013162%	0.013162%
Authority's proportionate share of the net pension liability (asset) - Combined Plan	$ (16,582)	$ (6,980)	$ (6,394)	$ (5,068)	$ (1,381)
Authority's covered payroll	$ 49,888	$ 48,817	$ 47,801	$ 48,113	$ 48,022
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.24%	14.30%	13.38%	10.53%	2.88%
Plan fiduciary net position as a percentage of the total pension liability - Combined Plan	137.28%	116.55%	116.90%	114.83%	104.33%

Information prior to fiscal year 2014 is not available.

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

See accompanying notes to the required supplementary information.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS - PENSIONS
June 30, 2018

Ohio Public Employees Retirement System
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution										
Traditional Plan	$ 104,768	$ 102,048	$ 92,653	$ 82,539	*	*	*	*	*	*
Combined Plan	6,575	6,102	6,156	5,615	*	*	*	*	*	*
Total Required Contributions	111,343	108,150	98,809	88,154	108,414	99,535	98,014	97,154	78,830	63,693
Contributions in relation to contractually required contribution	(111,343)	(108,150)	(98,809)	(88,154)	(108,414)	(99,535)	(98,014)	(97,154)	(78,830)	(63,693)
Contribution deficit (surplus)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll										
Traditional Plan	$ 776,354	$ 816,384	$ 772,108	$ 687,825	*	*	*	*	*	*
Combined Plan	48,725	48,816	51,300	46,792	*	*	*	*	*	*
Total covered payroll	825,079	865,200	823,408	734,617	867,804	866,924	980,136	1,021,652	911,145	868,007
Contributions as a percentage of covered payroll										
Traditional Plan	13.49%	12.50%	12.00%	12.00%	*	*	*	*	*	*
Combined Plan	13.49%	12.50%	12.00%	12.00%	*	*	*	*	*	*
Total	13.49%	12.50%	12.00%	12.00%	12.49%	11.48%	10.00%	9.51%	8.65%	7.34%

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

See accompanying notes to the required supplementary information.

* Information broken down by pension plan (Traditional vs. Combined) was not available.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
June 30, 2018

Ohio Public Employees Retirement System
Last 2 Fiscal Years*

	2018	2017
Authority's proportion of the net OPEB liability (asset) (percentage)	0.006630%	0.680000%
Authority's proportionate share of the net OPEB liability (asset)	$ 719,969	$ 686,823
Authority's covered payroll	$ 939,330	$ 939,251
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	76.65%	73.12%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

*Information prior to fiscal year 2017 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

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

See accomanying notes to the required supplementaty information.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS - PENSIONS
June 30, 2018
Ohio Public Employees Retirement System
*Last 4 Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	$ 8,131	$ 16,301	$ 17,131	$ 15,911
Contributions in relation to contractually required contribution	(8,131)	(16,301)	(17,131)	(15,911)
Contribution deficit (surplus)	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 917,424	$ 957,270	$ 864,361	$ 834,633
Contributions as a percentage of covered payroll	0.89%	1.70%	1.98%	1.91%

* Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

See accompanying notes to the required supplementary information.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

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

Net OPEB Liability

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018.

LAKE METROPOLITAN HOUSING AUTHORITY

PAINESVILLE, OH

Financial Data Schedule

06/30/2018

	Project Total	14.871 Housing Choice Vouchers	9 Other Federal Program 2	2 State/Local	14.149 Rent Supplements_Rental Housing for Lower Income Families	Subtotal	ELIM	Total
111 Cash - Unrestricted	$174,155	$297,274	$146,111	$139,642	$446,025	$1,203,207	$0	$1,203,207
113 Cash - Other Restricted	$0	$164,566	$0	$0	$0	$164,566	$0	$164,566
114 Cash - Tenant Security Deposits	$9,572	$0	$7,965	$0	$59,533	$77,070	$0	$77,070
100 Total Cash	$183,727	$461,840	$154,076	$139,642	$505,558	$1,444,843	$0	$1,444,843
122 Accounts Receivable - HUD Other Projects	$2,783	$0	$0	$0	$0	$2,783	$0	$2,783
124 Accounts Receivable - Other Government	$0	$0	$0	$0	$21,210	$21,210	$0	$21,210
126 Accounts Receivable - Tenants	$2,168	$17,816	$266	$0	$8,658	$28,908	$0	$28,908
126.1 Allowance for Doubtful Accounts -Tenants	-$1,000	-$17,505	$0	$0	$0	-$18,505	$0	-$18,505
120 Total Receivables, Net of Allowances for Doubtful Accounts	$3,951	$311	$266	$0	$29,868	$34,396	$0	$34,396
142 Prepaid Expenses and Other Assets	$4,005	$10,322	$1,318	$0	$27,822	$43,467	$0	$43,467
144 Inter Program Due From	$0	$16,876	$0	$1,132	$26,026	$44,034	-$44,034	$0
150 Total Current Assets	$191,683	$489,349	$155,660	$140,774	$589,274	$1,566,740	-$44,034	$1,522,706
161 Land	$179,025	$0	$126,852	$0	$722,222	$1,028,099	$0	$1,028,099
162 Buildings	$2,794,786	$0	$1,728,647	$0	$9,198,612	$13,722,045	$0	$13,722,045
163 Furniture, Equipment & Machinery - Dwellings	$0	$0	$0	$0	$63,017	$63,017	$0	$63,017
164 Furniture, Equipment & Machinery - Administration	$0	$68,901	$0	$21,154	$410,889	$500,944	$0	$500,944
166 Accumulated Depreciation	-$298,237	-$68,901	-$188,254	-$10,577	-$8,887,417	-$9,453,386	$0	-$9,453,386
167 Construction in Progress	$0	$0	$0	$0	$162,270	$162,270	$0	$162,270
160 Total Capital Assets, Net of Accumulated Depreciation	$2,675,574	$0	$1,667,245	$10,577	$1,669,593	$6,022,989	$0	$6,022,989
174 Other Assets	$829	$9,120	$0	$0	$6,633	$16,582	$0	$16,582
180 Total Non-Current Assets	$2,676,403	$9,120	$1,667,245	$10,577	$1,676,226	$6,039,571	$0	$6,039,571
200 Deferred Outflow of Resources	$14,821	$147,301	$0	$0	$108,707	$270,829	$0	$270,829
290 Total Assets and Deferred Outflow of Resources	$2,882,907	$645,770	$1,822,905	$151,351	$2,374,207	$7,877,140	-$44,034	$7,833,106
312 Accounts Payable <= 90 Days	$0	$0	$0	$0	$54,298	$54,298	$0	$54,298
321 Accrued Wage/Payroll Taxes Payable	$0	$0	$0	$0	$25,584	$25,584	$0	$25,584
322 Accrued Compensated Absences - Current Portion	$433	$6,563	$596	$0	$4,928	$12,520	$0	$12,520
341 Tenant Security Deposits	$9,572	$0	$7,965	$0	$59,533	$77,070	$0	$77,070
346 Accrued Liabilities - Other	$45,390	$115,010	$0	$0	$0	$160,400	$0	$160,400
347 Inter Program - Due To	$25,082	$0	$944	$0	$18,008	$44,034	-$44,034	$0
310 Total Current Liabilities	$80,477	$121,573	$9,505	$0	$162,351	$373,906	-$44,034	$329,872
354 Accrued Compensated Absences - Non Current	$1,731	$26,253	$2,383	$0	$19,712	$50,079	$0	$50,079
357 Accrued Pension and OPEB Liabilities	$83,180	$914,983	$0	$0	$665,443	$1,663,606	$0	$1,663,606
350 Total Non-Current Liabilities	$84,911	$941,236	$2,383	$0	$685,155	$1,713,685	$0	$1,713,685
300 Total Liabilities	$165,388	$1,062,809	$11,888	$0	$847,506	$2,087,591	-$44,034	$2,043,557
400 Deferred Inflow of Resources	$14,846	$162,974	$0	$0	$154,422	$332,242	$0	$332,242
508.4 Net Investment in Capital Assets	$2,675,574	$0	$1,667,245	$10,577	$1,669,593	$6,022,989	$0	$6,022,989
511.4 Restricted Net Position	$0	$49,556	$0	$0	$0	$49,556	$0	$49,556
512.4 Unrestricted Net Position	$27,099	-$629,569	$143,772	$140,774	-$297,314	-$615,238	$0	-$615,238
513 Total Equity - Net Assets / Position	$2,702,673	-$580,013	$1,811,017	$151,351	$1,372,279	$5,457,307	$0	$5,457,307
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$2,882,907	$645,770	$1,822,905	$151,351	$2,374,207	$7,877,140	-$44,034	$7,833,106

LAKE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OH
Financial Data Schedule

06/30/2018

	Project Total	14.871 Housing Choice Vouchers	9 Other Federal Program 2	2 State/Local	14.149 Rent Supplements_Rental Housing for Lower Income Families	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$637,214	$0	$103,556	$0	$179,277	$920,047	$0	$920,047
70400 Tenant Revenue - Other	$21,922	$0	$1,753	$0	$7,312	$30,987	$0	$30,987
70500 Total Tenant Revenue	$659,136	$0	$105,309	$0	$186,589	$951,034	$0	$951,034
70600 HUD PHA Operating Grants	$508,568	$9,885,121	$0	$0	$224,308	$10,617,997	$0	$10,617,997
71100 Investment Income - Unrestricted	$19	$0	$1,146	$364	$0	$1,529	$0	$1,529
71400 Fraud Recovery	$0	$30,273	$0	$0	$0	$30,273	$0	$30,273
71500 Other Revenue	$140	$3,575	$150	$25,342	$0	$29,207	$0	$29,207
70000 Total Revenue	$1,167,863	$9,918,969	$106,605	$25,706	$410,897	$11,630,040	$0	$11,630,040
91100 Administrative Salaries	$204,828	$500,543	$9,776	$0	$44,593	$759,740	$0	$759,740
91200 Auditing Fees	$4,351	$6,488	$0	$0	$0	$10,839	$0	$10,839
91400 Advertising and Marketing	$2,268	$1,835	$221	$0	$161	$4,485	$0	$4,485
91500 Employee Benefit contributions - Administrative	$88,239	$281,844	$3,643	$0	$72,980	$446,706	$0	$446,706
91700 Legal Expense	$55,621	$7,135	$1,671	$0	$2,605	$67,032	$0	$67,032
91800 Travel	$4,570	$6,124	$1	$0	$14	$10,709	$0	$10,709
91900 Other	$75,826	$127,857	$571	$22,620	$19,827	$246,701	$0	$246,701
91000 Total Operating - Administrative	$435,703	$931,826	$15,883	$22,620	$140,180	$1,546,212	$0	$1,546,212
93100 Water	$50,920	$600	$4,676	$0	$12,271	$68,467	$0	$68,467
93200 Electricity	$131,902	$4,199	$1,854	$0	$40,307	$178,262	$0	$178,262
93300 Gas	$22,560	$596	$2,869	$0	$4,685	$30,710	$0	$30,710
93000 Total Utilities	$205,382	$5,395	$9,399	$0	$57,263	$277,439	$0	$277,439
94100 Ordinary Maintenance and Operations - Labor	$128,946	$0	$15,139	$0	$33,845	$177,930	$0	$177,930
94200 Ordinary Maintenance and Operations - Materials and Other	$49,238	$4,642	$2,181	$0	$13,041	$69,102	$0	$69,102
94300 Ordinary Maintenance and Operations Contracts	$83,691	$0	$8,012	$2,131	$17,077	$110,911	$0	$110,911
94500 Employee Benefit Contributions - Ordinary Maintenance	$45,561	$0	$5,641	$0	$13,159	$64,361	$0	$64,361
94000 Total Maintenance	$307,436	$4,642	$30,973	$2,131	$77,122	$422,304	$0	$422,304
95200 Protective Services - Other Contract Costs	$6,729	$183	$756	$0	$1,886	$9,554	$0	$9,554
95000 Total Protective Services	$6,729	$183	$756	$0	$1,886	$9,554	$0	$9,554
96110 Property Insurance	$51,979	$0	$3,414	$0	$14,265	$69,658	$0	$69,658
96120 Liability Insurance	$0	$4,987	$0	$0	$0	$4,987	$0	$4,987
96100 Total insurance Premiums	$51,979	$4,987	$3,414	$0	$14,265	$74,645	$0	$74,645
96200 Other General Expenses	$4,664	$6,001	$525	$15,841	$0	$27,031	$0	$27,031
96210 Compensated Absences	$3,668	$0	$1,601	$0	$0	$5,269	$0	$5,269
96300 Payments in Lieu of Taxes	$45,390	$0	$0	$0	$0	$45,390	$0	$45,390
96400 Bad debt - Tenant Rents	$16,297	$0	$2,356	$0	$3,400	$22,053	$0	$22,053
96000 Total Other General Expenses	$70,019	$6,001	$4,482	$15,841	$3,400	$99,743	$0	$99,743
96900 Total Operating Expenses	$1,077,248	$953,034	$64,907	$40,592	$294,116	$2,429,897	$0	$2,429,897
97000 Excess of Operating Revenue over Operating Expenses	$90,615	$8,965,935	$41,698	-$14,886	$116,781	$9,200,143	$0	$9,200,143
97300 Housing Assistance Payments	$0	$8,914,290	$0	$0	$0	$8,914,290	$0	$8,914,290
97400 Depreciation Expense	$69,870	$4,921	$43,216	$3,022	$185,251	$306,280	$0	$306,280
90000 Total Expenses	$1,147,118	$9,872,245	$108,123	$43,614	$479,367	$11,650,467	$0	$11,650,467
10010 Operating Transfer In	$60,665	$0	$0	$0	$0	$60,665	$0	$60,665
10020 Operating transfer Out	-$60,665	$0	$0	$0	$0	-$60,665	$0	-$60,665
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$20,745	$46,724	-$1,518	-$17,908	-$68,470	-$20,427	$0	-$20,427
11030 Beginning Equity	$4,427,050	-$254,724	$1,812,535	$169,259	$0	$6,154,120	$0	$6,154,120
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$1,745,122	-$372,013	$0	$0	$1,440,749	-$676,386	$0	-$676,386
11170 Administrative Fee Equity	$0	-$629,569	$0	$0	$0	-$629,569	$0	-$629,569
11180 Housing Assistance Payments Equity	$0	$49,556	$0	$0	$0	$49,556	$0	$49,556
11190 Unit Months Available	2460	17504	168	$0	720	20852	0	20852
11210 Number of Unit Months Leased	2406	16976	125	0	699	20206	0	20206
11270 Excess Cash	$20,155	$0	$0	$0	$0	$20,155	$0	$20,155

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
SCHEDULE OF FEDERAL GRANTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2018

Note A: Documentation for the following grants have been submitted to HUD for close-out processing effective for fiscal year 2018. These grants were all completed during fiscal year 2018.

HUD Grant Number:		**OH025FSH417A015**
Description		Resident Opportunity and Self-Sufficiency (ROSS)
A. Total Federal Funds Authorized	$	57,000
B. Federal Share of Expenditures		57,000
C. Federal Share of Unliquidated Obligations		-
D. Total Federal Share (B + C)		57,000
E. Unobligated Balance of Federal Funds (A - D)	$	-

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/ PASS-THROUGH ENTITY/ PROGRAM TITLE	FEDERAL CFDA NUMBER	2018 FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
DIRECT AWARDS:		
Rent Supplements - Rental Housing for Lower Income Families	14.149	$ 224,308
Public and Indian Housing	14.850	415,217
Secion 8 Housing Choice Vouchers	14.871	9,885,121
Public Housing Capital Fund	14.872	93,351
Total U.S. Department of Housing and Urban Development		10,617,997
TOTAL FEDERAL AWARDS EXPENDITURES		$ 10,617,997

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures, the "Schedule," is a summary of the activity of the Authority's federal award programs for the year end June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

December 14, 2018

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

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Lake Metropolitan Housing Authority,** Lake County, (the Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 14, 2018, wherein we noted the Authority adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated December 14, 2018.

Purpose of this Report

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

Perry & Associates CPA's A.C.

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Marietta, Ohio

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 14, 2018

Lake Metropolitan Housing Authority
Lake County
189 First Street
Painesville, Ohio 44004

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited **Lake Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

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

Perry & Associates CPA's A.C.

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

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Section 8 Housing Choice Voucher CFDA # 14.871
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

LAKE COUNTY METROPOLITAN HOUSING AUTHORITY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 26, 2019