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Certified Public Accountants, A.C.

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

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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Members: American Institute of Certified Public Accountants

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

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

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

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

Dave Yost
Auditor of State

March 17, 2017

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

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INDEPENDENT AUDITOR'S REPORT

December 15, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The supplemental financial data schedule presented on pages 30 through 33 and the Schedule of Federal Grants – Completed on pages 34 through 36 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part 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 derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
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 10).

FINANCIAL HIGHLIGHTS

- During FY 2016, the Authority's net position decreased by \$373,249 (or 5.41%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$6,519,797 and \$6,893,046 for FY 2016 and FY 2015, respectively.
- Total revenue increased by \$396,694 (or 3.79%) during FY 2016. The majority of the increase was a result of increased leasing in both major programs. Total revenues were \$10,414,182 and \$10,017,488 for FY 2016 and FY 2015 respectively.
- The total expenses of the Authority decreased by \$60,654 (or 0.72%). Reduced maintenance and depreciation expenses were mostly offset by increased administrative expenses. The largest single increase to administrative expenses is related to the cost of providing health insurance to the employees. Total expenses were \$10,787,431 and \$10,848,085 for FY 2016 and FY 2015 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.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

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.

The Authority's 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 Authority'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.

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

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.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

The Authority's Programs (Continued)

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: Purchased in 2012 the renovation of two apartment buildings in Willoughby (formerly known as River Isle), began in April 2013 and was completed in November 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 units reported as **Other Federal Programs 2**. These 15 units are being funded and operated from sources "other than public housing funds" which 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

	<u>6/30/2016</u>	<u>6/30/2015</u>
Current and Other Assets	\$ 1,091,828	\$ 1,370,344
Capital Assets	<u>6,444,304</u>	<u>6,870,625</u>
Total Assets:	<u>\$ 7,536,132</u>	<u>\$ 8,240,969</u>
Deferred Outflows of Resources	\$ 325,793	\$ 80,462
Current Liabilities	\$ 297,858	\$ 600,706
Non-Current Liabilities	63,287	119,244
Net Pension Liability	<u>927,397</u>	<u>694,597</u>
Total Liabilities:	<u>\$ 1,288,542</u>	<u>\$ 1,414,547</u>
Deferred Inflows of Resources	\$ 53,586	\$ 13,838
Net Position:		
Net Investment In Capital Assets	\$ 6,444,304	\$ 6,870,625
Restricted	7,096	64,607
Unrestricted	<u>68,397</u>	<u>(42,186)</u>
TOTAL NET POSITION:	<u>\$ 6,519,797</u>	<u>\$ 6,893,046</u>

For more detailed information see page 10 for the Statement of Net Position.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

Major Factors Affecting the Statement of Net Position

Total assets decreased by \$704,837 or 8.55% and total liabilities were decreased by \$126,005 or 8.91%. Current assets are used to extinguish liabilities. The decrease in total assets is primarily related to decreased cash levels (due to HUD cash management policies) and decreased capital assets (due to depreciation). The overall decrease in total liabilities was a result of extinguishing two large settlement payables offset by an increase in net pension liability as a result of GASB 68 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 6/30/15		\$	(42,186)
Results of Operations	(373,249)		
Adjustments:			
Depreciation (1)	409,774		
Change in Restricted Net Position	<u>57,511</u>		
Adjusted Results from Operations			94,038
Net Change in Capital Assets			<u>16,545</u>
Unrestricted Net Position 6/30/16		\$	<u>68,397</u>

(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 2016. 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 Position - 6/30/2015		\$	64,607
HAP Revenue less Expense	\$ (76,765)		
Fraud Revenue Collection	16,944		
FSS Forfeitures	2,310		
Change in Restricted Net Position			<u>(57,511)</u>
Restricted Net Position - 6/30/2016		\$	<u>7,096</u>

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

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 2016	FY 2015
Revenue:		
HUD Operating Subsidies and Grants	\$ 9,479,768	\$ 9,205,796
Tenant Revenue	825,286	740,823
Capital Grant	19,200	24,300
Other Government Grants	-	500
Investment Income	519	592
Other Revenue	<u>89,409</u>	<u>45,477</u>
Total Revenue	\$ 10,414,182	\$ 10,017,488
Expenses:		
Housing Assistance Payments	\$ 7,937,630	\$ 7,962,395
Administrative Expense	1,386,609	1,189,002
Utilities	260,304	267,677
Maintenance	564,598	656,358
Protective Services	9,834	6,283
General Expenses	182,271	171,682
Extraordinary Maintenance	19,123	35,185
Other Expense	17,287	-
Depreciation Expense	<u>409,775</u>	<u>559,503</u>
Total Expenses	\$ 10,787,431	\$ 10,848,085
Net Increase (Decrease)	<u>\$ (373,249)</u>	<u>\$ (830,597)</u>

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 major factors that contributed to this were normal depreciation expense and HCV leasing levels in excess of HUD subsidies (negative), and improved operating efficiencies in the programs (positive).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/16 the Authority had \$6,444,304 in capital assets as reflected in the following schedule, which represents a net decrease of \$426,321 over last fiscal year end.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
UNAUDITED

TABLE 5
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)

	6/30/2016	6/30/2015
Land and Land Rights	\$ 1,028,099	\$ 1,063,845
Building & Improvements	13,666,866	13,647,666
Equipment - Dwelling	63,017	63,017
Equipment - Administrative	522,878	546,703
Construction in Progress	-	-
Accumulated Depreciation	<u>(8,836,556)</u>	<u>(8,450,607)</u>
Total	<u>\$ 6,444,304</u>	<u>\$ 6,870,624</u>

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, 2015	\$ 6,870,624
Additions	19,200
Deletions	(59,571)
Depreciation	<u>(385,949)</u>
Ending Balance, June 30, 2016	<u>\$ 6,444,304</u>

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 6/30/16 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 all components of our two major programs, Housing Choice Voucher and Public Housing. The rising cost of providing affordable health care has also been a challenge to the agency. The Authority will continue to focus on operating efficiency and financial responsibility as we expect the uncertain federal funding climate to continue into the foreseeable future. We will 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, 2016**

Assets

Current Assets:

Cash and Cash Equivalents - Unrestricted	\$ 872,426
Cash and Cash Equivalents - Restricted	166,198
Receivables, Net	16,686
Prepaid Expenses	36,518
Total Current Assets	<u>1,091,828</u>

Noncurrent Assets:

Capital Assets:

Land	1,028,099
Building and Equipment	14,252,761
Less: Accumulated Depreciation	(8,836,556)
Total Capital Assets	<u>6,444,304</u>

Total Noncurrent Assets	<u>6,444,304</u>
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Total Assets	<u>7,536,132</u>
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Deferred Outflows of Resources

Net difference between projected and actual investment earnings on pension plan investments	277,237
Employer contributions to pension plan subsequent to measurement date	48,556
Total Deferred Outflows of Resources	<u>325,793</u>

Total Assets and Deferred Outflows of Resources	<u>\$ 7,861,925</u>
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Liabilities

Current Liabilities:

Accounts Payable	\$ 68,286
Accrued Liabilities	138,623
Accrued Compensated Absences	15,822
Tenant Security Deposits	75,127
Total Current Liabilities	<u>297,858</u>

Long Term Liabilities:

Accrued Compensated Absences	63,287
Net Pension Liability	927,397
Total Long Term Liabilities	<u>990,684</u>

Total Liabilities	<u>1,288,542</u>
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Deferred Inflows of Resources

Differences between expected and actual experience	20,960
Changes in proportion	32,626
Total Deferred Inflows of Resources	<u>53,586</u>

Net Position:

Net Investment In Capital Assets	6,444,304
Restricted	7,096
Unrestricted	68,397
Total Net Position	<u>6,519,797</u>

Total Net Position	<u>6,519,797</u>
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Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,861,925</u>
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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, 2016**

Operating Revenues:	
Tenant Revenue	\$ 825,286
Government Operating Grants	9,498,968
Other Revenue	89,409
Total Operating Revenues	<u>10,413,663</u>
Operating Expenses:	
Administrative	1,386,609
Utilities	260,304
Maintenance	583,721
Insurance	84,139
General	98,132
Protective Services	9,834
Housing Assistance Payments	7,937,630
Depreciation	409,775
Total Operating Expenses	<u>10,770,144</u>
Operating Income (Loss)	(356,481)
Other Non-Operating Revenues and Expenses:	
Investment Income - Unrestricted	519
(Loss) on Sale of Capital Assets	(17,287)
Total Other Non-Operating Revenues and Expenses	<u>(16,768)</u>
Change in Net Position	(373,249)
Net Position, Beginning of the Year	<u>6,893,046</u>
Net Position, End of Year	<u><u>\$ 6,519,797</u></u>

See accompanying notes to the basic financial statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Operating Grants	\$ 9,494,988
Cash Received from Tenants	855,698
Cash Received from Other Income	89,409
Cash Payments for Housing Assistance Payments	(7,937,630)
Cash Payments for General and Administrative Expenses Paid	(2,789,533)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(287,068)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Earned	519
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	519
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Assets Sold	45,676
Capital Assets Purchased	(19,200)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	26,476
Net Increase (Decrease) in Cash and Cash Equivalents	(260,073)
Cash and Cash Equivalents at Beginning of Year	1,298,697
Cash and Cash Equivalents at End of Year	\$ 1,038,624
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (356,481)
Adjustments:	
Depreciation	409,775
(Increase) Decrease in :	
Receivables, Net	18,947
Prepaid Expenses	(504)
Increase (Decrease) in:	
Accounts Payable	(5,594)
Accrued Liabilities	(308,473)
Tenant Security Deposits	11,465
Unearned Revenue	(3,980)
Accrued Compensated Absences	18,669
Other Long Term Liabilities	(70,892)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (287,068)

See accompanying notes to the basic financial statements.

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

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.

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

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 housing.

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.

Parkview Place (Other Federal Programs 2)

Parkview Place (formerly River Isle) is a 40 unit apartment complex in Willoughby, Ohio which was purchased and renovated for the purpose of providing 25 additional Public Housing units and 15 other affordable housing units to Lake County. This project was completed during Fiscal Year 2015. The 25 Public Housing units have been reported under the Public Housing program. The remaining 15 affordable housing units are funded through unrestricted (including State and Local) reserves. 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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2016 fiscal year was \$409,775.

Capitalization of Interest

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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, 2016:

Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016	Due Within One Year
\$ 60,440	\$ 67,191	\$ 48,522	\$ 79,109	\$ 15,822

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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 \$7,096.

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 statements of financial position will sometimes report 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/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 5.

In addition to liabilities, the statements of financial position report 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. The deferred inflows of resources related to pension are explained in Note 5.

Pensions

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$1,038,624 (including \$437 of petty cash) and the bank balance was \$1,129,996. 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 \$697,441 were covered by Federal Deposit Insurance Corporation and \$432,554 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, 2016, therefore is not subject to interest rate, credit concentration, or custodial credit risk.

NOTE 3 – RESTRICTED CASH

Restricted cash balance as of June 30, 2016 of \$166,198 represents the following:

Unspent funding provided by HUD to make Housing Assistance Payments in the Housing Choice Voucher Program:	\$ 7,096
Family Self-Sufficiency Escrows :	83,975
Tenant Security Deposits:	<u>75,127</u>
Total:	<u>\$166,198</u>

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

NOTE 4 – CAPITAL ASSETS

A summary of capital assets at June 30, 2016 is as follows:

	<u>Balance 6/30/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2016</u>
Capital Assets Not Depreciated				
Land	\$ 1,063,845	\$ -	\$ (35,746)	\$ 1,028,099
Total Capital Assets Not Depreciated	<u>1,063,845</u>	<u>-</u>	<u>(35,746)</u>	<u>1,028,099</u>
Capital Assets Depreciated				
Buildings and Improvements	13,647,666	19,200	-	13,666,866
Furniture, Equipment and Machinery	609,720	-	(23,825)	585,895
Total Capital Assets Depreciated	<u>14,257,386</u>	<u>19,200</u>	<u>(23,825)</u>	<u>14,252,761</u>
Accumulated Depreciation				
Buildings and Improvements	(8,038,011)	(345,564)	-	(8,383,575)
Furniture, Equipment and Machinery	(412,596)	(64,210)	23,825	(452,981)
Total Accumulated Depreciation	<u>(8,450,607)</u>	<u>(409,774)</u>	<u>23,825</u>	<u>(8,836,556)</u>
Total Capital Assets Depreciated, Net	<u>5,806,779</u>	<u>(390,574)</u>	<u>-</u>	<u>5,416,205</u>
Total Capital Assets, Net	<u>\$ 6,870,624</u>	<u>\$ (390,574)</u>	<u>\$ (35,746)</u>	<u>\$ 6,444,304</u>

Note 5 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability 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.

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

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 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):

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

Note 5 – DEFINED BENEFIT PENSION PLANS (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 57 with 25 years of service credit or Age 62 with 5 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:

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

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

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

Note 5 – DEFINED BENEFIT PENSION PLANS (Continued)

The Authority's contractually required contribution to the Traditional and Combined Plans was \$115,278 for FYE 6/30/16. Required contributions to the Member-Directed Plan was \$10,148 for FYE 6/30/2016.

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

The net pension liability was measured as of December 31, 2015, 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:

	Traditional Plan	Combined Plan	Total
Proportionate Share of the Net Pension Liability / (Asset)	\$933,791	(\$6,394)	\$927,397
Proportion of the Net Pension Liability / (Asset)	0.005391%	0.013140%	
Pension Expense	\$131,206	\$3,372	\$134,578
Change in Proportionate Share	-0.000410%	-0.000022%	-0.000432%

At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$274,476	\$2,761	\$277,237
Authority contributions subsequent to the measurement date	<u>45,327</u>	<u>3,229</u>	<u>48,556</u>
Total Deferred Outflows of Resources	<u><u>\$319,803</u></u>	<u><u>\$5,990</u></u>	<u><u>\$325,793</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$18,042	\$2,918	\$20,960
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>32,626</u>	<u>0</u>	<u>32,626</u>
Total Deferred Inflows of Resources	<u><u>\$50,668</u></u>	<u><u>\$2,918</u></u>	<u><u>\$53,586</u></u>

\$48,556 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

Note 5 – DEFINED BENEFIT PENSION PLANS (Continued)

Year Ending December 31:

	2017	\$45,317
	2018	49,706
	2019	67,691
	2020	62,377
	2021	(369)
	Thereafter	<u>(1,071)</u>
Total		<u><u>\$223,651</u></u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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.

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

Note 5 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

<u>Authority's proportionate share of the net pension liability</u>	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Traditional Plan	\$1,487,754	\$933,791	\$466,537
Combined Plan	(\$131)	(\$6,394)	(\$11,432)

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

NOTE 6 - POST-EMPLOYMENT BENEFITS

A. Plan Description

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

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

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

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

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

B. Funding Policy

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

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

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

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

NOTE 6 - POST-EMPLOYMENT BENEFITS (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended June 30, 2016, 2015, and 2014, which were used to fund post-employment benefits were \$17,910, \$16,761, and \$17,187, respectively.

NOTE 7 – 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 8 – LONG-TERM LIABILITIES

Changes in other long-term obligations of the Authority during the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net Pension Liability	\$ 694,597	\$ 232,800	\$ -	\$ 927,397	\$ -
Total	<u>\$ 694,597</u>	<u>\$ 232,800</u>	<u>\$ -</u>	<u>\$ 927,397</u>	<u>\$ -</u>

NOTE 9 – CONTINGENT LIABILITIES

Litigations and Claims

In the normal course of operations the MHA may be subject to litigation and claims. At June 30, 2016 the MHA was not involved in any such matters except those associated with routine eviction cases and administrative appeals of participants who have been terminated from the Housing Choice Voucher Program.

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, 2016.

NOTE 10 – SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through December 15, 2016, the date on which the financial statements were available to be issued, and is not aware of any matter to disclose or to consider disclosing concerning such an event.

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

NOTE 11 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2016, 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, 2016, consists of the following receivables and payables:

	Due From	Due To
Public Housing	\$ 24,439	\$ -
Housing Choice Voucher	-	22,323
Other Federal Program 2	-	1,469
State and Local	-	647
	\$ 24,439	\$ 24,439

All Authority vendor expenses are paid through one cash account for control purposes. The majority of inter-program Due from/Due to amounts is a result of timing differences between the accrual of expense and actual payment between federal program expenses. These amounts are usually immaterial and are reconciled on a monthly basis. These balances are eliminated for the Statement of Net Position on page 10.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2015

Ohio Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.005391%	0.005801%	0.005801%
Authority's proportion of the net pension liability (asset) (percentage) - Combined Plan	0.013140%	0.013162%	0.013162%
Authority's proportionate share of the net pension liability (asset) - Traditional Plan	\$ 933,791	\$ 699,665	\$ 683,862
Authority's proportionate share of the net pension liability (asset) - Combined Plan	\$ (6,394)	\$ (5,068)	\$ (1,381)
Authority's covered-employee payroll	\$ 823,412	\$ 759,350	\$ 757,911
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.63%	91.47%	90.05%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	81.08%	86.45%	86.36%
Plan fiduciary net position as a percentage of the total pension liability (Combined Plan)	116.90%	114.83%	104.56%

Information prior to 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.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
June 30, 2015

Ohio Public Employees Retirement System
 Last 10 Fiscal Years

Traditional Plan:

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 98,809	\$ 88,154	\$ 108,414	\$ 99,535	\$ 98,014	\$ 97,154	\$ 78,830	\$ 63,693	\$ 62,163	\$ 70,129
Contributions in relation to contractually required contribution	<u>(98,809)</u>	<u>(88,154)</u>	<u>(108,414)</u>	<u>(99,535)</u>	<u>(98,014)</u>	<u>(97,154)</u>	<u>(78,830)</u>	<u>(63,693)</u>	<u>(62,163)</u>	<u>(70,129)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 823,412	\$ 734,617	\$ 867,804	\$ 866,924	\$ 980,136	\$ 1,021,652	\$ 911,145	\$ 868,007	\$ 836,320	\$ 777,486
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.49%	11.48%	10.00%	9.51%	8.65%	7.34%	7.43%	9.02%

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).

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY

Financial Data Schedule

6/30/2016

	Project Total	14.871 Housing Choice Vouchers	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$536,502	\$155,423	\$28,293	\$152,208	\$872,426		\$872,426
113 Cash - Other Restricted		\$91,071			\$91,071		\$91,071
114 Cash - Tenant Security Deposits	\$66,137		\$8,990		\$75,127		\$75,127
100 Total Cash	\$602,639	\$246,494	\$37,283	\$152,208	\$1,038,624	\$0	\$1,038,624
124 Accounts Receivable - Other Government	\$6,170				\$6,170		\$6,170
125 Accounts Receivable - Miscellaneous	\$3,683	\$310			\$3,993		\$3,993
126 Accounts Receivable - Tenants	\$6,252		\$1,271		\$7,523		\$7,523
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,000		\$0		-\$1,000		-\$1,000
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0			\$0		\$0
128 Fraud Recovery		\$13,622			\$13,622		\$13,622
128.1 Allowance for Doubtful Accounts - Fraud		-\$13,622			-\$13,622		-\$13,622
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$15,105	\$310	\$1,271	\$0	\$16,686	\$0	\$16,686
142 Prepaid Expenses and Other Assets	\$36,518				\$36,518		\$36,518
144 Inter Program Due From	\$24,439				\$24,439	-\$24,439	\$0
150 Total Current Assets	\$678,701	\$246,804	\$38,554	\$152,208	\$1,116,267	-\$24,439	\$1,091,828
161 Land	\$901,247		\$126,852		\$1,028,099		\$1,028,099
162 Buildings	\$11,916,567	\$21,652	\$1,728,647		\$13,666,866		\$13,666,866
163 Furniture, Equipment & Machinery - Dwellings	\$63,017				\$63,017		\$63,017
164 Furniture, Equipment & Machinery - Administration	\$421,856	\$79,868		\$21,154	\$522,878		\$522,878
166 Accumulated Depreciation	-\$8,650,849	-\$79,353	-\$101,821	-\$4,533	-\$8,836,556		-\$8,836,556
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,651,838	\$22,167	\$1,753,678	\$16,621	\$6,444,304	\$0	\$6,444,304
180 Total Non-Current Assets	\$4,651,838	\$22,167	\$1,753,678	\$16,621	\$6,444,304	\$0	\$6,444,304
200 Deferred Outflow of Resources	\$162,503	\$163,290			\$325,793		\$325,793
290 Total Assets and Deferred Outflow of Resources	\$5,493,042	\$432,261	\$1,792,232	\$168,829	\$7,886,364	-\$24,439	\$7,861,925

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY

Financial Data Schedule

6/30/2016

	Project Total	14.871 Housing Choice Vouchers	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$36,928				\$36,928		\$36,928
321 Accrued Wage/Payroll Taxes Payable	\$31,358				\$31,358		\$31,358
322 Accrued Compensated Absences - Current Portion	\$8,471	\$7,351			\$15,822		\$15,822
341 Tenant Security Deposits	\$66,137		\$8,990		\$75,127		\$75,127
346 Accrued Liabilities - Other	\$54,648	\$83,975			\$138,623		\$138,623
347 Inter Program - Due To		\$22,323	\$1,469	\$647	\$24,439	-\$24,439	\$0
310 Total Current Liabilities	\$197,542	\$113,649	\$10,459	\$647	\$322,297	-\$24,439	\$297,858
354 Accrued Compensated Absences - Non Current	\$33,885	\$29,402			\$63,287		\$63,287
357 Accrued Pension and OPEB Liabilities	\$448,426	\$478,971			\$927,397		\$927,397
350 Total Non-Current Liabilities	\$482,311	\$508,373	\$0	\$0	\$990,684	\$0	\$990,684
300 Total Liabilities	\$679,853	\$622,022	\$10,459	\$647	\$1,312,981	-\$24,439	\$1,288,542
400 Deferred Inflow of Resources	\$26,709	\$26,877			\$53,586		\$53,586
508.4 Net Investment in Capital Assets	\$4,651,838	\$22,167	\$1,753,678	\$16,621	\$6,444,304		\$6,444,304
511.4 Restricted Net Position		\$7,096			\$7,096		\$7,096
512.4 Unrestricted Net Position	\$134,642	-\$245,901	\$28,095	\$151,561	\$68,397		\$68,397
513 Total Equity - Net Assets / Position	\$4,786,480	-\$216,638	\$1,781,773	\$168,182	\$6,519,797	\$0	\$6,519,797
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,493,042	\$432,261	\$1,792,232	\$168,829	\$7,886,364	-\$24,439	\$7,861,925

LAKE METROPOLITAN HOUSING AUTHORITY (OH025)
PAINESVILLE, OH

Entity Wide Revenue and Expense Summary

6/30/2016

	Project Total	14,871 Housing Choice Vouchers	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$769,432		\$35,709		\$805,141		\$805,141
70400 Tenant Revenue - Other	\$19,960		\$185		\$20,145		\$20,145
70500 Total Tenant Revenue	\$789,392	\$0	\$35,894	\$0	\$825,286		\$825,286
70600 HUD PHA Operating Grants	\$717,081	\$8,762,687			\$9,479,768		\$9,479,768
70610 Capital Grants	\$19,200				\$19,200		\$19,200
71100 Investment Income - Unrestricted	\$25		\$76	\$418	\$519		\$519
71400 Fraud Recovery		\$33,888			\$33,888		\$33,888
71500 Other Revenue	\$12,261	\$1,184	\$7,703	\$34,374	\$55,522		\$55,522
71600 Gain or Loss on Sale of Capital Assets	-\$17,287				-\$17,287		-\$17,287
70000 Total Revenue	\$1,520,672	\$8,797,759	\$43,673	\$34,792	\$10,396,896		\$10,396,896
91100 Administrative Salaries	\$245,021	\$443,749			\$688,770		\$688,770
91200 Auditing Fees	\$5,282	\$7,924			\$13,206		\$13,206
91400 Advertising and Marketing	\$4,270	\$4,275			\$8,545		\$8,545
91500 Employee Benefit contributions - Administrative	\$129,436	\$234,417			\$363,853		\$363,853
91700 Legal Expense	\$15,664	\$6,714	\$4,879		\$27,257		\$27,257
91800 Travel	\$8,559	\$6,678			\$15,237		\$15,237
91900 Other	\$116,021	\$141,283	\$2,423	\$10,014	\$269,741		\$269,741
91000 Total Operating - Administrative	\$524,253	\$845,040	\$7,302	\$10,014	\$1,386,609		\$1,386,609
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0		\$0
93100 Water	\$59,468	\$589	\$3,045		\$63,102		\$63,102
93200 Electricity	\$163,052	\$4,315	\$3,168		\$170,535		\$170,535
93300 Gas	\$20,392	\$480	\$5,795		\$26,667		\$26,667
93000 Total Utilities	\$242,912	\$5,384	\$12,008	\$0	\$260,304		\$260,304
94100 Ordinary Maintenance and Operations - Labor	\$210,058				\$210,058		\$210,058
94200 Ordinary Maintenance and Operations - Materials and Other	\$71,818	\$2,258			\$74,076		\$74,076
94300 Ordinary Maintenance and Operations Contracts	\$155,365	\$2,330	\$7,772	\$4,030	\$169,497		\$169,497
94500 Employee Benefit Contributions - Ordinary Maintenance	\$110,967				\$110,967		\$110,967
94000 Total Maintenance	\$548,208	\$4,588	\$7,772	\$4,030	\$564,598		\$564,598
95200 Protective Services - Other Contract Costs	\$9,078		\$756		\$9,834		\$9,834
95000 Total Protective Services	\$9,078	\$0	\$756	\$0	\$9,834		\$9,834

LAKE METROPOLITAN HOUSING AUTHORITY (OH025)
PAINESVILLE, OH
Entity Wide Revenue and Expense Summary

6/30/2016

	Project Total	14,871 Housing Choice Vouchers	9 Other Federal Program 2	2 State/Local	Subtotal	ELIM	Total
96110 Property Insurance	\$75,194		\$3,618		\$78,812		\$78,812
96120 Liability Insurance		\$5,327			\$5,327		\$5,327
96130 Workmen's Compensation							
96140 All Other Insurance							
96100 Total Insurance Premiums	\$75,194	\$5,327	\$3,618	\$0	\$84,139		\$84,139
96200 Other General Expenses	\$5,444	\$7,327			\$12,771		\$12,771
96210 Compensated Absences	\$14,870	\$3,801			\$18,671		\$18,671
96300 Payments in Lieu of Taxes	\$54,648				\$54,648		\$54,648
96400 Bad debt - Tenant Rents	\$12,042				\$12,042		\$12,042
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$87,004	\$11,128	\$0	\$0	\$98,132		\$98,132
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0		\$0
96900 Total Operating Expenses	\$1,486,649	\$871,467	\$31,456	\$14,044	\$2,403,616		\$2,403,616
97000 Excess of Operating Revenue over Operating Expenses	\$34,023	\$7,926,292	\$12,217	\$20,748	\$7,993,280		\$7,993,280
97100 Extraordinary Maintenance	\$19,123				\$19,123		\$19,123
97300 Housing Assistance Payments		\$7,937,630			\$7,937,630		\$7,937,630
97400 Depreciation Expense	\$350,684	\$12,853	\$43,216	\$3,022	\$409,775		\$409,775
90000 Total Expenses	\$1,856,456	\$8,821,950	\$74,672	\$17,066	\$10,770,144		\$10,770,144
10010 Operating Transfer In	\$43,990				\$43,990		\$43,990
10020 Operating transfer Out	-\$43,990				-\$43,990		-\$43,990
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$335,784	-\$24,191	-\$30,999	\$17,726	-\$373,248		-\$373,248
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$5,122,264	-\$192,447	\$1,676,830	\$286,398	\$6,893,045		\$6,893,045
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$135,942	-\$135,942	\$0		\$0
11170 Administrative Fee Equity		-\$223,734			-\$223,734		-\$223,734
11180 Housing Assistance Payments Equity		\$7,096			\$7,096		\$7,096
11190 Unit Months Available	3180	17484	168		20832		20832
11210 Number of Unit Months Leased	3118	15750	36		18904		18904
11270 Excess Cash	\$325,003				\$325,003		\$325,003
11620 Building Purchases	\$19,200				\$19,200		\$19,200

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY, OHIO
SCHEDULE OF FEDERAL GRANTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2016**

Note A: Documentation for the following grants have been submitted to HUD for close-out processing effective for fiscal year 2016. These grants were all completed either during fiscal year 2016 or prior.

HUD Grant Number:	OH12P025501-02
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$346,546
B. Funds Disbursed	\$346,546
C. Funds Expended (Actual Modernization Cost)	\$346,546
D. Amount to be Recapured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025501-03
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$269,049
B. Funds Disbursed	\$269,049
C. Funds Expended (Actual Modernization Cost)	\$269,049
D. Amount to be Recapured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025502-03
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$56,825
B. Funds Disbursed	\$56,825
C. Funds Expended (Actual Modernization Cost)	\$56,825
D. Amount to be Recapured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025501-04
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$314,836
B. Funds Disbursed	\$314,836
C. Funds Expended (Actual Modernization Cost)	\$314,836
D. Amount to be Recapured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025501-05
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$300,953
B. Funds Disbursed	\$300,953
C. Funds Expended (Actual Modernization Cost)	\$300,953
D. Amount to be Recapured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY, OHIO
SCHEDULE OF FEDERAL GRANTS - COMPLETED
(Continued - See Note A)
FOR THE YEAR ENDED JUNE 30, 2016**

HUD Grant Number:	OH12P025501-06
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$289,319
B. Funds Disbursed	\$289,319
C. Funds Expended (Actual Modernization Cost)	\$289,319
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025501-07
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$296,148
B. Funds Disbursed	\$296,148
C. Funds Expended (Actual Modernization Cost)	\$296,148
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025501-08
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$291,149
B. Funds Disbursed	\$291,149
C. Funds Expended (Actual Modernization Cost)	\$291,149
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025501-09
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$288,548
B. Funds Disbursed	\$288,548
C. Funds Expended (Actual Modernization Cost)	\$288,548
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:	OH12P025501-10
<u>Description</u>	Capital Fund Program (CFP)
A. Funds Approved	\$288,654
B. Funds Disbursed	\$288,654
C. Funds Expended (Actual Modernization Cost)	\$288,654
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY, OHIO
SCHEDULE OF FEDERAL GRANTS - COMPLETED
(Continued - See Note A)
FOR THE YEAR ENDED JUNE 30, 2016**

HUD Grant Number:

OH12P025501-11

Description

Capital Fund Program (CFP)

A. Funds Approved	\$238,323
B. Funds Disbursed	\$238,323
C. Funds Expended (Actual Modernization Cost)	\$238,323
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:

OH12P025501-12

Description

Capital Fund Program (CFP)

A. Funds Approved	\$220,609
B. Funds Disbursed	\$220,609
C. Funds Expended (Actual Modernization Cost)	\$220,609
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:

OH12S025501-09

Description

Capital Fund Recovery Grant (CFRG)

A. Funds Approved	\$368,537
B. Funds Disbursed	\$368,537
C. Funds Expended (Actual Modernization Cost)	\$368,537
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:

OH12P025010

Description

Public Housing Development Grant (PDEV)

A. Funds Approved	\$2,754,200
B. Funds Disbursed	\$2,754,200
C. Funds Expended (Actual Development Cost)	\$2,754,200
D. Amount to be Recaptured (A - C)	\$0
E. Excess of Funds Disbursed (B - C)	\$0

HUD Grant Number:

OH025FSH523A014

Description

Resident Opportunity and Self-Sufficiency (ROSS)

A. Total Federal Funds Authorized	\$56,525
B. Federal Share of Expenditures	\$56,286
C. Federal Share of Unliquidated Obligations	\$0
D. Total Federal Share (B + C)	\$56,286
E. Unobligated Balance of Federal Funds (A - D)	\$239

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

FEDERAL GRANTOR/ PASS-THROUGH ENTITY/ PROGRAM TITLE	FEDERAL CFDA NUMBER	2016 FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>DIRECT AWARDS:</i>		
Low Rent Public Housing	14.850	\$ 602,980
Public Housing Capital Fund	14.872	133,301
Section 8 Housing Choice Vouchers	14.871	<u>8,762,687</u>
Total U.S. Department of Housing and Urban Development		<u>9,498,968</u>
TOTAL FEDERAL AWARDS EXPENDITURES		<u><u>\$ 9,498,968</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures, the “Schedule,” is a summary of the activity of the Authority’s federal award programs. 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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740.695.1569

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

December 15, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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



...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated December 15, 2016.

Purpose of this Report

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



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



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

December 15, 2016

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, 2016. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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



...“bringing more to the table”

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- Association of Certified Anti - Money Laundering Specialists •



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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



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

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

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

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
MARCH 30, 2017