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

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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, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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

February 7, 2018

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

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INDEPENDENT AUDITOR'S REPORT

December 1, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The supplemental financial data schedule presented on pages 32 and 33 and the Schedule of Federal Grants – Completed on page 34 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not required parts of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. Please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During FY 2017, the Authority's net position decreased by \$365,677 (or 5.61%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$6,154,120 and \$6,519,797 for FY 2017 and FY 2016, respectively.
- Total revenue increased by \$762,562 (or 7.32%) during FY 2017. The majority of the increase was a result of increased leasing in the Housing Choice Voucher program. Total revenues were \$11,176,744 and \$10,414,182 for FY 2017 and FY 2016 respectively.
- The total expenses of the Authority increased by \$754,990 (or 7.00%). The majority of this was increased housing assistance payments (HAP) to landlords to support the increased leasing numbers in the Housing Choice Voucher program. Total expenses were \$11,542,421 and \$10,787,431 for FY 2017 and FY 2016 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, 2017
(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 financial statements also include a Statement of Revenues, Expenses and Change in Net Position (similar to an Income Statement). This statement includes operating revenue, such as rental income, operating expenses, such as administrative, utility, maintenance and depreciation. This statement also includes non-operating revenue and expenses, such as capital grant revenue, investment income and interest expense.

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

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, 2017
(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: Two adjacent apartment buildings located in Willoughby, Ohio were purchased in 2012 and renovated in 2013 and 2014. They consist of forty total units, twenty-five Public Housing units funded under the ACC, eligible to receive Operating Subsidy and Capital Funds, and fifteen units reported as **Other Federal Programs 2**. These 15 units have been funded from sources "other than federal funds" and are operated from internally generated and other funds which may include, but are not limited to, **State and Local** program funds.

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

Statement of Net Position

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

TABLE 1
STATEMENT OF NET POSITION

	<u>6/30/2017</u>	<u>6/30/2016</u>
Current and Other Assets	\$ 1,234,243	\$ 1,091,828
Capital Assets	6,166,999	6,444,304
Net Pension Asset	<u>6,980</u>	<u>-</u>
Total Assets:	<u>\$ 7,408,222</u>	<u>\$ 7,536,132</u>
Deferred Outflows of Resources	582,228	325,793
Current Liabilities	\$ 310,441	\$ 297,858
Non-Current Liabilities	61,956	63,287
Net Pension Liability	<u>1,434,256</u>	<u>927,397</u>
Total Liabilities:	<u>\$ 1,806,653</u>	<u>\$ 1,288,542</u>
Deferred Inflows of Resources	29,677	53,586
Net Position:		
Net Investment In Capital Assets	\$ 6,166,999	\$ 6,444,304
Restricted	7,528	7,096
Unrestricted	<u>(20,407)</u>	<u>68,397</u>
TOTAL NET POSITION:	<u>\$ 6,154,120</u>	<u>\$ 6,519,797</u>

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

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Major Factors Affecting the Statement of Net Position

Total assets decreased by \$127,910 or 1.70% and total liabilities increased by \$518,111 or 40.21%. Current assets are used to extinguish liabilities. The decrease in total assets is primarily related to decreased capital assets (due to depreciation). The overall increase in total liabilities was a result of an increase in net pension 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 6/30/16	\$	68,397
Results of Operations		(365,677)
Adjustments:		
Depreciation (1)		327,782
Change in Restricted Net Position		<u>(432)</u>
Adjusted Results from Operations		(38,327)
Net Change in Capital Assets		<u>(50,477)</u>
Unrestricted Net Position 6/30/17	\$	<u>(20,407)</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 2017. These funds can only be used for Housing Assistance Payments (HAP) in the Housing Choice Voucher program.

TABLE 3
CHANGE OF RESTRICTED NET POSITION

Restricted Net Assets - 6/30/2016	\$	7,096
HAP Revenue less Expense	\$	(18,861)
Fraud Revenue Collection		11,764
FSS Forfeitures		7,529
Change in Restricted Net Position		<u>432</u>
Restricted Net Position - 6/30/2017	\$	<u>7,528</u>

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(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 2017	FY 2016
Revenue:		
HUD Operating Subsidies and Grants	\$ 10,180,038	\$ 9,479,768
Tenant Revenue	880,011	825,286
Capital Grant	55,179	19,200
Investment Income	738	519
Other Revenue	<u>60,778</u>	<u>89,409</u>
Total Revenue	\$ 11,176,744	\$ 10,414,182
Expenses:		
Housing Assistance Payments	\$ 8,571,027	\$ 7,937,630
Administrative Expense	1,647,840	1,386,609
Utilities	277,361	260,304
Maintenance	530,068	564,598
Protective Services	9,079	9,834
General Expenses	174,514	182,271
Extraordinary Maintenance	4,750	19,123
Other Expense	-	17,287
Depreciation Expense	<u>327,782</u>	<u>409,775</u>
Total Expenses	\$ 11,542,421	\$ 10,787,431
Net Increase (Decrease)	<u>\$ (365,677)</u>	<u>\$ (373,249)</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 majority of this is due to normal depreciation expense.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/17 the Authority had \$6,166,999 in capital assets as reflected in the following schedule, which represents a net decrease of \$277,305 over last fiscal year end.

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

	6/30/2017	6/30/2016
Land and Land Rights	1,028,099	1,028,099
Building & Improvements	13,722,045	13,666,866
Equipment - Dwelling	63,017	63,017
Equipment - Administrative	500,943	522,878
Accumulated Depreciation	<u>(9,147,105)</u>	<u>(8,836,556)</u>
Total	<u>\$ 6,166,999</u>	<u>\$ 6,444,304</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

TABLE 6
CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance, July 1, 2016	\$ 6,444,304
Additions	55,179
Deletions	(4,702)
Depreciation	<u>(327,782)</u>
Ending Balance, June 30, 2017	<u>\$ 6,166,999</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 6/30/17 the Authority had no outstanding debt.

LAKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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 also continues to be a challenge to the agency. The Authority continues to focus on operating efficiency and financial responsibility as we expect the uncertain federal funding climate to continue into the foreseeable future. We 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, 2017**

Assets

Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 1,024,474
Cash and Cash Equivalents - Restricted	171,026
Receivables, Net	4,686
Prepaid Expenses	34,057
Total Current Assets	<u>1,234,243</u>

Noncurrent Assets:	
Capital Assets:	
Land	1,028,099
Building and Equipment	14,286,005
Less: Accumulated Depreciation	(9,147,105)
Net Pension Asset	6,980
Total Noncurrent Assets	<u>6,173,979</u>

Total Assets	<u>7,408,222</u>
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Deferred Outflows of Resources

Net difference between projected and actual investment earnings on pension plan investments	525,238
Employer contributions to pension plan subsequent to measurement date	56,990
Total Deferred Outflows of Resources	<u>582,228</u>

Total Assets and Deferred Outflows of Resources	<u>\$ 7,990,450</u>
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Liabilities

Current Liabilities:	
Accounts Payable	\$ 49,829
Accrued Liabilities	168,898
Accrued Compensated Absences	15,488
Tenant Security Deposits	76,226
Total Current Liabilities	<u>310,441</u>

Long Term Liabilities:	
Accrued Compensated Absences	61,956
Net Pension Liability	1,434,256
Total Long Term Liabilities	<u>1,496,212</u>

Total Liabilities	<u>1,806,653</u>
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Deferred Inflows of Resources

Differences between expected and actual experience	12,105
Changes in Proportion	17,572
Total Deferred Inflows of Resources	<u>29,677</u>

Net Position:

Net Investment In Capital Assets	6,166,999
Restricted	7,528
Unrestricted (deficit)	(20,407)

Total Net Position	<u>6,154,120</u>
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Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 7,990,450</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, 2017**

Operating Revenues:	
Tenant Revenue	\$ 880,011
Government Operating Grants	10,235,217
Other Revenue	58,978
Total Operating Revenues	<u>11,174,206</u>
Operating Expenses:	
Administrative	1,647,840
Utilities	277,361
Maintenance	534,818
Insurance	81,798
General	92,716
Protective Services	9,079
Housing Assistance Payments	8,571,027
Depreciation	327,782
Total Operating Expenses	<u>11,542,421</u>
Operating Loss	(368,215)
Other Non-Operating Revenues and Expenses:	
Investment Income - Unrestricted	738
Gain on Sale of Capital Assets	1,800
Total Other Non-Operating Revenues and Expenses	<u>2,538</u>
Change in Net Position	(365,677)
Net Position, Beginning of the Year	<u>6,519,797</u>
Net Position, End of Year	<u><u>\$ 6,154,120</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Operating Grants	\$ 10,235,217
Cash Received from Tenants	893,110
Cash Received from Other Income	58,978
Cash Payments for Housing Assistance Payments	(8,571,027)
Cash Payments for General and Administrative Expenses Paid	(2,411,463)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	204,815
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Earned	738
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	738
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Assets Sold	6,502
Capital Assets Purchased	(55,179)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(48,677)
Net Increase (Decrease) in Cash and Cash Equivalents	156,876
Cash and Cash Equivalents at Beginning of Year	1,038,624
Cash and Cash Equivalents at End of Year	\$ 1,195,500
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Net Operating Income (Loss)	\$ (368,215)
Adjustments:	
Depreciation	327,782
Non Cash Benefit Expense (GASB 68)	219,535
(Increase) Decrease in :	
Receivables, Net	12,000
Prepaid Expenses	2,461
Increase (Decrease) in:	
Accounts Payable	(18,457)
Accrued Liabilities	30,275
Tenant Security Deposits	1,099
Accrued Compensated Absences	(1,665)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 204,815

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, 2017**

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, 2017**

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

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, 2017**

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 2017 fiscal year was \$327,782.

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, 2017**

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, 2017:

Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017	Due Within One Year
\$ 79,109	\$ 67,673	\$ 69,338	\$ 77,444	\$ 15,488

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, 2017**

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, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (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 \$1,195,500 (including \$228 of petty cash) and the bank balance was \$1,195,272. 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 \$750,000 were covered by Federal Depository and \$445,272 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, 2017, therefore is not subject to interest rate, credit concentration, or custodial credit risk.

NOTE 3 – RESTRICTED CASH

Restricted cash balance as of June 30, 2017 of \$171,026 represents the following:

Unspent funding provided by HUD to make Housing Assistance Payments in the Housing Choice Voucher Program:	\$ 7,528
Family Self-Sufficiency Escrows :	87,272
Tenant Security Deposits:	<u>76,226</u>
Total:	<u>\$171,026</u>

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS

A summary of capital assets at June 30, 2017 is as follows:

	<u>Balance 6/30/2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2017</u>
Capital Assets Not Depreciated				
Land	\$ 1,028,099	\$ -	\$ -	\$ 1,028,099
Total Capital Assets Not Depreciated	<u>1,028,099</u>	<u>-</u>	<u>-</u>	<u>1,028,099</u>
Capital Assets Depreciated				
Buildings and Improvements	13,666,866	55,179	-	13,722,045
Furniture, Equipment and Machinery	585,895	-	(21,934)	563,961
Total Capital Assets Depreciated	<u>14,252,761</u>	<u>55,179</u>	<u>(21,934)</u>	<u>14,286,006</u>
Accumulated Depreciation				
Buildings and Improvements	(8,383,575)	(269,542)	-	(8,653,117)
Furniture, Equipment and Machinery	(452,981)	(58,240)	17,232	(493,989)
Total Accumulated Depreciation	<u>(8,836,556)</u>	<u>(327,782)</u>	<u>17,232</u>	<u>(9,147,106)</u>
Total Capital Assets Depreciated, Net	<u>5,416,205</u>	<u>(272,603)</u>	<u>(4,702)</u>	<u>5,138,900</u>
Total Capital Assets, Net	<u>\$ 6,444,304</u>	<u>\$ (272,603)</u>	<u>\$ (4,702)</u>	<u>\$ 6,166,999</u>

NOTE 5 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 5 - DEFINED BENEFIT PENSION PLANS (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):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
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

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

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

The Authority's contractually required contributions was \$108,150 for fiscal year ending June 30, 2017.

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

The net pension liability for OPERS was measured as of December 31, 2016, 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:

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

NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.005391%	0.013140%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.006316%	0.012541%	
Change in Proportionate Share	0.000925%	-0.000599%	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,434,256	\$ (6,980)	\$ 1,427,276
Pension Expense	\$ 274,124	\$ 2,398	\$ 276,522

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 213,592	\$ 1,703	\$ 215,295
Change of assumptions	227,490	1,701	229,191
Difference between expected and actual experience	1,944	-	1,944
Changes in proportion and differences between Authority contributions and proportionate share of contributions	78,555	253	78,808
Authority contributions subsequent to the measurement date	53,775	3,215	56,990
Total Deferred Outflows of Resources	\$ 575,356	\$ 6,872	\$ 582,228
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 8,535	\$ 3,570	\$ 12,105
Change in proportion and differences between Authority contributions and proportionate share of contributions	17,572	-	17,572
Total Deferred Inflows of Resources	\$ 26,107	\$ 3,570	\$ 29,677

\$56,990 reported as deferred outflows of resources related to pension resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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
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NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	Total
Year Ending June 30:			
2018	\$ 201,832	\$ 361	\$ 202,193
2019	220,753	359	221,112
2020	79,150	289	79,439
2021	(6,261)	(314)	(6,575)
2022	-	(252)	(252)
Thereafter	-	(356)	(356)
Total	\$ 495,474	\$ 87	\$ 495,561

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

Wage Inflation	3.25%			
Future Salary Increases, including inflation	3.25% to 10.75% including wage inflation			
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3%, simple			
	Post 1/7/2013 retirees; 3%, simple			
	through 2018, then 2.15% simple			
Investment Rate of Return	7.50%			
Actuarial Cost Method	Individual Entry Age			

**LAKE METROPOLITAN HOUSING AUTHORITY
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NOTE 5 – DEFINED BENEFIT PENSION PLANS (Continued)

The total pension asset in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25%			
Future Salary Increases, including inflation	3.25% to 8.25% including wage inflation			
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3%, simple			
	Post 1/7/2013 retirees; 3%, simple			
	through 2018, then 2.15% simple			
Investment Rate of Return	7.50%			
Actuarial Cost Method	Individual Entry Age			

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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 2016 and the long-term expected real rates of return:

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NOTE 5 - DEFINED BENEFIT PENSION PLANS (Continued)

	Target	Long-Term Expected
Asset Class	Allocation	Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
Total	100.00%	5.66%

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

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

	1% Decrease	Current	1% Increase
Authority's proportionate share of the net pension liability/(asset)	-6.50%	Discount Rate -7.50%	-8.50%
Traditional Pension Plan	\$ 2,191,147	\$ 1,434,256	\$ 803,522
Combined Plan	\$ 502	\$ (6,980)	\$ (12,792)

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 - POST-EMPLOYMENT BENEFITS

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Pension Plan, a defined benefit plan; the Combined Plan, a defined benefit/defined contribution plan; and the Member-Directed Plan, a defined contribution plan. OPERS is a qualified governmental plan under Section 401(a) of the Internal Revenue Code (IRC). OPERS is administered in accordance with Chapter 145 of the Ohio Revised Code (ORC). All state and local governmental employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the member's employment. Contributions made prior to the member's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

As of December 31, 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA). In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401 (h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts (RMA) for participants of the Member-Directed Plan through June 30, 2016. The 401 (h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust is the funding vehicle for all health care plans.

The health care plans funded through the 115 Trust are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options has changed over the history of the program for the Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Upon termination or retirement, Member-Directed Plan participants can use vested RMA funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest over 15 years at the rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest over a five-year period at a rate of 20% per year.

Health care coverage is neither guaranteed nor statutorily required.

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.

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 - POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Policy

The OPERS funding policy provides for periodic member and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of OPERS actuary. All contribution rates were within the limits authorized by the ORC.

The member and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10% and 14%, respectively.

With the assistance of OPERS actuary and Board approval, a portion of each employer's contribution may be set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for 2016. The employer contribution as a percent of covered payroll deposited for RMA participants in the Member-Directed Plan for 2016 was 4%. Actual Authority contributions for the years ended June 30, 2017, 2016, and 2015, which were used to fund post-employment benefits were \$18,025, \$17,910, and \$16,761, 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, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-Current Accrued Comp. Absences	\$ 63,287	\$ -	\$ (1,331)	\$ 61,956
Net Pension Liability	\$ 927,397	\$ 506,859	\$ -	\$ 1,434,256
Total	\$ 990,684	\$ 506,859	\$ (1,331)	\$ 1,496,212

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 – CONTINGENT LIABILITIES

Litigations and Claims

In the normal course of operations, the MHA may be subject to litigation and claims other than those associated with routine eviction cases and administrative appeals of participants who have been terminated from the Housing Choice Voucher Program. At June 30, 2017 the MHA was involved in two such cases. Although the outcome of those cases is uncertain at this time, management believes the ultimate resolution of those cases will not have a material adverse effect on the overall financial position of the Authority.

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recapture amounts would not have a material adverse effect on the overall financial position at June 30, 2017.

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 1, 2017, 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.

NOTE 11 – FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2017, 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, 2017, consists of the following receivables and payables:

	Due To	Due From
Public Housing	\$ 22,271	\$ -
Housing Choice Voucher	-	22,857
Other Federal Program 2	1,676	-
State and Local	-	1,090
	\$ 23,947	\$ 23,947

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 11.

LAKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2017

Ohio Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset) (percentage) - Traditional Plan	0.006316%	0.005391%	0.005801%	0.005801%
Authority's proportion of the net pension liability (asset) (percentage) - Combined Plan	0.012541%	0.013140%	0.013162%	0.013162%
Authority's proportionate share of the net pension liability (asset) - Traditional Plan	\$ 1,434,256	\$ 933,791	\$ 699,665	\$ 683,862
Authority's proportionate share of the net pension liability (asset) - Combined Plan	\$ (6,980)	\$ (6,394)	\$ (5,068)	\$ (1,381)
Authority's covered payroll	\$ 801,901	\$ 823,412	\$ 759,350	\$ 757,911
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	177.99%	112.63%	91.47%	90.05%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	77.25%	81.08%	86.45%	86.36%
Plan fiduciary net position as a percentage of the total pension liability (Combined Plan)	116.55%	116.90%	114.83%	104.56%

Information prior to 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, 2017

Ohio Public Employees Retirement System
 Last 10 Fiscal Years

Traditional Plan:

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 108,150	\$ 98,809	\$ 88,154	\$ 108,414	\$ 99,535	\$ 98,014	\$ 97,154	\$ 78,830	\$ 63,693	\$ 62,163
Contributions in relation to contractually required contribution	<u>(108,150)</u>	<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>
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 payroll	\$ 865,200	\$ 823,412	\$ 734,617	\$ 867,804	\$ 866,924	\$ 980,136	\$ 1,021,652	\$ 911,145	\$ 868,007	\$ 836,320
Contributions as a percentage of covered payroll	12.50%	12.00%	12.00%	12.49%	11.48%	10.00%	9.51%	8.65%	7.34%	7.43%

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
6/30/2017

	Project Total	14.871 Housing Choice Vouchers	State/Local	Other Federal Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$565,096	\$199,505	\$154,570	\$105,303	\$1,024,474	\$0	\$1,024,474
113 Cash - Other Restricted	\$0	\$94,800	\$0	\$0	\$94,800	\$0	\$94,800
114 Cash - Tenant Security Deposits	\$64,361	\$0	\$0	\$11,865	\$76,226	\$0	\$76,226
100 Total Cash	\$629,457	\$294,305	\$154,570	\$117,168	\$1,195,500	\$0	\$1,195,500
124 Accounts Receivable - Other Government	\$3,170	\$0	\$0	\$0	\$3,170	\$0	\$3,170
125 Accounts Receivable - Miscellaneous	\$0	\$310	\$0	\$0	\$310	\$0	\$310
126 Accounts Receivable - Tenants	\$2,206	\$0	\$0	\$0	\$2,206	\$0	\$2,206
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,000	\$0	\$0	\$0	-\$1,000	\$0	-\$1,000
128 Fraud Recovery	\$0	\$5,484	\$0	\$0	\$5,484	\$0	\$5,484
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$5,484	\$0	\$0	-\$5,484	\$0	-\$5,484
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,376	\$310	\$0	\$0	\$4,686	\$0	\$4,686
142 Prepaid Expenses and Other Assets	\$34,057	\$0	\$0	\$0	\$34,057	\$0	\$34,057
144 Inter Program Due From	\$0	\$22,857	\$1,090	\$0	\$23,947	-\$23,947	\$0
150 Total Current Assets	\$667,890	\$317,472	\$155,660	\$117,168	\$1,258,190	-\$23,947	\$1,234,243
161 Land	\$901,247	\$0	\$0	\$126,852	\$1,028,099	\$0	\$1,028,099
162 Buildings	\$11,971,746	\$21,652	\$0	\$1,728,647	\$13,722,045	\$0	\$13,722,045
163 Furniture, Equipment & Machinery - Dwellings	\$63,017	\$0	\$0	\$0	\$63,017	\$0	\$63,017
164 Furniture, Equipment & Machinery - Administration	\$410,888	\$68,901	\$21,154	\$0	\$500,943	\$0	\$500,943
166 Accumulated Depreciation	-\$8,912,490	-\$82,023	-\$7,555	-\$145,037	-\$9,147,105	\$0	-\$9,147,105
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,434,408	\$8,530	\$13,599	\$1,710,462	\$6,166,999	\$0	\$6,166,999
174 Other Assets	\$3,375	\$3,605	\$0	\$0	\$6,980	\$0	\$6,980
180 Total Non-Current Assets	\$4,437,783	\$12,135	\$13,599	\$1,710,462	\$6,173,979	\$0	\$6,173,979
200 Deferred Outflow of Resources	\$286,497	\$295,731	\$0	\$0	\$582,228	\$0	\$582,228
290 Total Assets and Deferred Outflow of Resources	\$5,392,170	\$625,338	\$169,259	\$1,827,630	\$8,014,397	-\$23,947	\$7,990,450
312 Accounts Payable <= 90 Days	\$49,829	\$0	\$0	\$0	\$49,829	\$0	\$49,829
321 Accrued Wage/Payroll Taxes Payable	\$27,304	\$0	\$0	\$0	\$27,304	\$0	\$27,304
322 Accrued Compensated Absences - Current Portion	\$7,710	\$7,503	\$0	\$275	\$15,488	\$0	\$15,488
341 Tenant Security Deposits	\$64,361	\$0	\$0	\$11,865	\$76,226	\$0	\$76,226
345 Other Current Liabilities	\$5,106	\$0	\$0	\$176	\$5,282	\$0	\$5,282
346 Accrued Liabilities - Other	\$49,040	\$87,272	\$0	\$0	\$136,312	\$0	\$136,312
347 Inter Program - Due To	\$22,271	\$0	\$0	\$1,676	\$23,947	-\$23,947	\$0
310 Total Current Liabilities	\$225,621	\$94,775	\$0	\$13,992	\$334,388	-\$23,947	\$310,441
354 Accrued Compensated Absences - Non Current	\$30,842	\$30,011	\$0	\$1,103	\$61,956	\$0	\$61,956
357 Accrued Pension and OPEB Liabilities	\$693,509	\$740,747	\$0	\$0	\$1,434,256	\$0	\$1,434,256
350 Total Non-Current Liabilities	\$724,351	\$770,758	\$0	\$1,103	\$1,496,212	\$0	\$1,496,212
300 Total Liabilities	\$949,972	\$865,533	\$0	\$15,095	\$1,830,600	-\$23,947	\$1,806,653
400 Deferred Inflow of Resources	\$15,148	\$14,529	\$0	\$0	\$29,677	\$0	\$29,677
508.4 Net Investment in Capital Assets	\$4,434,408	\$8,530	\$13,599	\$1,710,462	\$6,166,999	\$0	\$6,166,999
511.4 Restricted Net Position	\$0	\$7,528	\$0	\$0	\$7,528	\$0	\$7,528
512.4 Unrestricted Net Position	-\$7,358	-\$270,782	\$155,660	\$102,073	-\$20,407	\$0	-\$20,407
513 Total Equity - Net Assets / Position	\$4,427,050	-\$254,724	\$169,259	\$1,812,535	\$6,154,120	\$0	\$6,154,120
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,392,170	\$625,338	\$169,259	\$1,827,630	\$8,014,397	-\$23,947	\$7,990,450

LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY
Financial Data Schedule
6/30/2017

	Project Total	14.871 Housing Choice Vouchers	State/Local	Other Federal Program	Total
70300 Net Tenant Rental Revenue	\$716,815	\$0	\$0	\$124,229	\$841,044
70400 Tenant Revenue - Other	\$37,148	\$0	\$0	\$1,819	\$38,967
70500 Total Tenant Revenue	\$753,963	\$0	\$0	\$126,048	\$880,011
70600 HUD PHA Operating Grants	\$699,430	\$9,480,608	\$0	\$0	\$10,180,038
70610 Capital Grants	\$55,179	\$0	\$0	\$0	\$55,179
71100 Investment Income - Unrestricted	\$25	\$0	\$369	\$344	\$738
71400 Fraud Recovery	\$0	\$23,528	\$0	\$0	\$23,528
71500 Other Revenue	\$511	\$2,331	\$32,208	\$400	\$35,450
71600 Gain or Loss on Sale of Capital Assets	\$900	\$900	\$0	\$0	\$1,800
70000 Total Revenue	\$1,510,008	\$9,507,367	\$32,577	\$126,792	\$11,176,744
91100 Administrative Salaries	\$292,078	\$472,555	\$0	\$1,943	\$766,576
91200 Auditing Fees	\$4,072	\$6,108	\$0	\$0	\$10,180
91400 Advertising and Marketing	\$2,615	\$2,388	\$0	\$134	\$5,137
91500 Employee Benefit contributions - Administrative	\$207,696	\$344,395	\$0	\$950	\$553,041
91700 Legal Expense	\$34,724	\$3,557	\$0	\$1,808	\$40,089
91800 Travel	\$3,639	\$3,607	\$0	\$0	\$7,246
91900 Other	\$127,783	\$109,734	\$27,911	\$143	\$265,571
91000 Total Operating - Administrative	\$672,607	\$942,344	\$27,911	\$4,978	\$1,647,840
93100 Water	\$64,507	\$614	\$0	\$4,831	\$69,952
93200 Electricity	\$171,710	\$3,945	\$0	\$1,707	\$177,362
93300 Gas	\$27,351	\$453	\$0	\$2,243	\$30,047
93000 Total Utilities	\$263,568	\$5,012	\$0	\$8,781	\$277,361
94100 Ordinary Maintenance and Operations - Labor	\$181,460	\$0	\$0	\$14,056	\$195,516
94200 Ordinary Maintenance and Operations - Materials and Other	\$88,529	\$2,218	\$0	\$490	\$91,237
94300 Ordinary Maintenance and Operations Contracts	\$98,148	\$0	\$310	\$5,893	\$104,351
94500 Employee Benefit Contributions - Ordinary Maintenance	\$132,093	\$0	\$0	\$6,871	\$138,964
94000 Total Maintenance	\$500,230	\$2,218	\$310	\$27,310	\$530,068
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$8,284	\$0	\$0	\$795	\$9,079
95000 Total Protective Services	\$8,284	\$0	\$0	\$795	\$9,079
96110 Property Insurance	\$73,015	\$0	\$0	\$3,703	\$76,718
96120 Liability Insurance	\$0	\$5,080	\$0	\$0	\$5,080
96100 Total Insurance Premiums	\$73,015	\$5,080	\$0	\$3,703	\$81,798
96200 Other General Expenses	\$4,496	\$7,725	\$257	\$502	\$12,980
96210 Compensated Absences	\$579	\$761	\$0	\$1,378	\$2,718
96300 Payments in Lieu of Taxes	\$49,040	\$0	\$0	\$0	\$49,040
96400 Bad debt - Tenant Rents	\$22,611	\$0	\$0	\$5,367	\$27,978
96000 Total Other General Expenses	\$76,726	\$8,486	\$257	\$7,247	\$92,716
96900 Total Operating Expenses	\$1,594,430	\$963,140	\$28,478	\$52,814	\$2,638,862
97000 Excess of Operating Revenue over Operating Expenses	-\$84,422	\$8,544,227	\$4,099	\$73,978	\$8,537,882
97100 Extraordinary Maintenance	\$4,750	\$0	\$0	\$0	\$4,750
97300 Housing Assistance Payments	\$0	\$8,571,027	\$0	\$0	\$8,571,027
97400 Depreciation Expense	\$270,258	\$11,286	\$3,022	\$43,216	\$327,782
90000 Total Expenses	\$1,869,438	\$9,545,453	\$31,500	\$96,030	\$11,542,421
10010 Operating Transfer In	\$54,373	\$0	\$0	\$0	\$54,373
10020 Operating transfer Out	-\$54,373	\$0	\$0	\$0	-\$54,373
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$359,430	-\$38,086	\$1,077	\$30,762	-\$365,677
11030 Beginning Equity	\$4,786,480	-\$216,638	\$168,182	\$1,781,773	\$6,519,797
11170 Administrative Fee Equity	\$0	-\$262,252	\$0	\$0	-\$262,252
11180 Housing Assistance Payments Equity	\$0	\$7,528	\$0	\$0	\$7,528
11190 Unit Months Available	3180	17484		168	20832
11210 Number of Unit Months Leased	3037	16610	0	135	19782
11270 Excess Cash	\$281,715	\$0	\$0	\$0	\$281,715
11620 Building Purchases	\$55,179	\$0	\$0	\$0	\$55,179

**LAKE METROPOLITAN HOUSING AUTHORITY
LAKE COUNTY, OHIO
SCHEDULE OF FEDERAL GRANTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2017**

Note A: Documentation for the following grants have been submitted to HUD for close-out processing effective for fiscal year 2017. These grants were all completed during fiscal year 2017.

HUD Grant Number:

Description

- A. Funds Approved
- B. Funds Disbursed
- C. Funds Expended (Actual Modernization Cost)
- D. Amount to be Recaptured (A - C)
- E. Excess of Funds Disbursed (B - C)

OH12P025501-13	
Capital Fund Program (CFP)	
	\$211,967
	\$211,967
	\$211,967
	\$0
	\$0

HUD Grant Number:

Description

- A. Total Federal Funds Authorized
- B. Federal Share of Expenditures
- C. Federal Share of Unliquidated Obligations
- D. Total Federal Share (B + C)
- E. Unobligated Balance of Federal Funds (A - D)

OH025FSH417A015	
Resident Opportunity and Self-Sufficiency (ROSS)	
	\$57,000
	\$57,000
	\$0
	\$57,000
	\$0

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

FEDERAL GRANTOR/ PASS-THROUGH ENTITY/ PROGRAM TITLE	FEDERAL CFDA NUMBER	2017 FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>DIRECT AWARDS:</i>		
Low Rent Public Housing	14.850	\$ 563,852
Public Housing Capital Fund	14.872	190,757
Section 8 Housing Choice Vouchers	14.871	<u>9,480,608</u>
Total U.S. Department of Housing and Urban Development		<u>10,235,217</u>
TOTAL FEDERAL AWARDS EXPENDITURES		<u>\$ 10,235,217</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, 2017**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures, the “Schedule,” is a summary of the activity of the Authority’s federal award programs for the year end June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



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104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

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

December 1, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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

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

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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*.

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.



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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 1, 2017

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, 2017. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

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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, 2017.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal 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, 2017**

**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 METROPOLITAN HOUSING AUTHORITY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 20, 2018