AUDITED BASIC FINANCIAL STATEMENTS

OF THE

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

OCTOBER 1, 2014 - SEPTEMBER 30, 2015

Dave Yost • Auditor of State

Board of Trustees
Knox Metropolitan Housing Authority
210A West High Street
Mount Vernon, Ohio 43050

We have reviewed the *Independent Auditor's Report* of the Knox Metropolitan Housing Authority, Knox County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2014 through September 30, 2015. 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 Knox Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

May 12, 2016

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KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

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INDEPENDENT AUDITOR'S REPORT

Knox Metropolitan Housing Authority
Knox County
201A West High Street
Mount Vernon, Ohio 43050

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Knox Metropolitan Housing Authority, Knox County, Ohio (the Authority), as of and for the fiscal year ended September 30, 2015, 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 audit opinion.

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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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 Knox Metropolitan Housing Authority, Knox County, Ohio, as of September 30, 2015, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the fiscal year ended September 30, 2015, the Authority adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

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 Financial Data Schedules are presented for purpose of additional analysis as required by the Department of Housing and Urban Development, and are not a required part of the basic financial statements.

The Schedule of Federal Award Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The 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 March 9, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 9, 2016

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Knox Metropolitan Housing Authority, Knox County, (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, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 13).

FINANCIAL HIGHLIGHTS

- During fiscal year 2015, the Authority's net position increased by $17,323 (or 8%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position for fiscal year 2014 was $213,244 (as restated) and $230,567 for fiscal year 2015.
- Revenues increased by $100,978 (or 3%) during fiscal year 2015, and were $3,157,551 and $3,258,529 for fiscal year 2014 and fiscal year 2015, respectively.
- Expenses decreased by $61,429 (or 2%) during fiscal year 2015. Total expenses were $3,302,635 and $3,241,206 for fiscal year 2014 and fiscal year 2015, respectively.

USING THIS ANNUAL REPORT

The following is a graphic outlining the three major sections of the report.

MD&A ~ Management's Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~
Other Required Supplementary Information ~ Required Supplementary Information (Pension Schedules) ~
Supplementary and Other Information ~ Financial Data Schedules ~ ~ Schedule of Federal Awards Expenditures ~

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)**

The primary focus of the Authority's financial statements is on the Authority as a whole. The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden basis for comparison (fiscal year-to-fiscal year or Authority-to-Authority), and enhance the Authority's accountability.

Government-Wide Financial Statements

The Government-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total 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 and deferred outflows of resources, minus liabilities and deferred inflows of resources, equal "Net Position". Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted" portion) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories:

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

Restricted: 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: Consists of assets that do not meet the definition of "Net Investment in Capital Assets", or "Restricted".

The Government-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as grant revenue, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, Non-Operating Revenue and Expenses, such as interest revenue and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

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

THE AUTHORITY'S FUND

The Authority consists exclusively of an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in the private sector. The fund maintained by the Authority is required by the Department of Housing and Urban Development (HUD).

Business-Type Activities:

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

Shelter Plus Care Program – This program is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities and their families if they are also homeless.

Continuum of Care Program – This program replaced the Shelter Plus Care program during fiscal year 2015 and is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities and their families if they are also homeless.

Family Self-Sufficiency Program – This program is designed to provide funding for the Authority to administer the Family Self-Sufficiency Program for individuals who qualify for participation through the Housing Choice Voucher Program.

Business Activities – Represents resources developed from services provided to other metropolitan housing authorities and service contracts with local organizations, as well as rental of office space within the Authority's administration building.

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, 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/(asset) to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability/(asset) equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, 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/(asset) not accounted for as deferred inflows/outflows.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)

As a result of implementing GASB 68, the Authority is reporting a net pension liability/(asset) and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at September 30, 2014, from $351,589 to $213,244.

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior fiscal year.

STATEMENT OF NET POSITION

	2015	Restated 2014
Current and Other Noncurrent Assets	$255,790	$250,638
Capital Assets	350,249	366,456
Total Assets	606,039	617,094
Deferred Outflows of Resources	36,994	-
Current Liabilities	43,331	48,425
Non-Current Liabilities	361,490	355,425
Total Liabilities	404,821	403,850
Deferred Inflows of Resources	7,645	-
Net Position		
Net Investment in Capital Assets	145,179	154,029
Restricted	26,125	63,627
Unrestricted	59,263	(4,412)
Total Net Position	$ 230,567	$ 213,244

For more detailed information see page 13 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current and other non-current assets (primarily cash and cash equivalents) were increased by $5,152 which was the result of paying monthly for the computer software rather than annually; this eliminated the prepaid item amount reported in prior years. In addition, the Authority's portion of net pension asset increased between fiscal years (fiscal year 2014 restated reflects the prior year amount). Cash remained fairly consistent between fiscal years. Total liabilities increased by only $971 as liabilities between fiscal years remained fairly consistent based on no new debt or significant changes in payroll liabilities.

Capital assets had a net decrease of $16,207 which represents net effect of the current fiscal year's depreciation over additions. For more detail see "Capital Assets and Debt Administration" on page 11.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted and Restricted Net Position provides a clearer change in financial well-being.

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position September 30, 2014, Restated		($ 4,412)
Results of Operations:	$ 54,825	
Adjustments:		
Depreciation (1)	19,202	
Adjusted Results from Operations		74,027
Capital Outlay		(2,995)
Retirement of Debt		(7,357)
Unrestricted Net Position September 30, 2015		$ 59,263

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position September 30, 2014		$ 63,627
Results of Operations:		
HAP Reserves Used	($ 38,806)	
Other	1,304	
Adjusted Results from Operations		(37,502)
Restricted Net Position September 30, 2015		$ 26,125

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2015	Restated 2014
Revenues		
Operating Grants	$ 3,128,362	$ 3,020,884
Interest	81	98
Other Revenues	130,086	136,569
Total Revenue	3,258,529	3,157,551
Expenses		
Administrative	398,471	433,708
Maintenance	24,371	33,066
General	25,353	26,558
Housing Assistance Payments	2,763,317	2,776,241
Interest	10,492	10,852
Depreciation	19,202	22,210
Total Expenses	3,241,206	3,302,635
Change in Net Position	17,323	(145,084)
Net Position at October 1	213,244	N/A
Net Position at September 30	$ 230,567	$ 213,244

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

The information necessary to restate the 2014 beginning balance and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include the pension expense of $30,977 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions under the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $39,877. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	$3,241,206
Pension expense under GASB 68	(39,877)
2015 Contractually required contribution made after measurement date	28,178
Adjusted 2015 total expenses	3,229,507
Total 2014 expenses under GASB 27	3,302,635
Decrease in total expenses not related to pension	($ 73,128)

Operating Grants increased by $107,478 due to HUD funding changes and changes in grant programs awarded to the Authority during fiscal year 2015. Housing Assistance Payments remained fairly consistent decreasing only $12,924 during fiscal year 2015 which is expected based on little fluctuation in units months leased between fiscal year 2015 and fiscal year 2014.

Administrative expenses include salaries and related benefits, along with other administrative expenses such as audit fees and office expenses. The decrease between fiscal years primarily resulted from the implementation of GASB 68 as noted above.

Most other expenses fluctuated moderately due to inflation and current fiscal year needs.

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2015, the Authority had $350,249 invested in Capital Assets as reflected in the following schedule, which represents a net increase (additions less depreciation).

CAPITAL ASSETS AT FISCAL YEAR END
(NET OF DEPRECIATION)

	Business-type Activities	
	2015	2014
Land	$ 25,250	$ 25,250
Building	324,920	324,920
Furniture, Fixtures, and Equipment	88,615	85,620
Leasehold Improvements	8,596	8,596
Accumulated Depreciation	(97,132)	(77,930)
Total	$ 350,249	$ 366,456

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 4 of the notes to the basic financial statements.

CHANGE IN CAPITAL ASSETS

	Business-type Activities
Beginning Balance	$ 366,456
Additions	2,995
Depreciation	(19,202)
Ending Balance	$ 350,249

Additions of capital assets for fiscal year 2015 related to the purchase of new computer software. The Authority had no disposals of capital assets in fiscal year 2015.

Debt Outstanding

During fiscal year 2013, the Authority entered into a mortgage note for $225,000 to purchase the Authority's administration building. As of September 30, 2015, the Authority had $205,070 in debt (mortgage loan) outstanding as compared to $212,427 at September 30, 2014. The decrease of $7,357 represents the current fiscal year debt repayment. For further information related to fiscal year 2015 debt activity, see Note 9.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance.
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Jason Booth, Executive Director for the Knox Metropolitan Housing Authority, at (740) 397-8845. Specific requests may be submitted to the Authority at 201A West High Street, Mount Vernon, Ohio 43050.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

STATEMENT OF NET POSITION
SEPTEMEBER 30, 2015

Assets		
Current Assets:		
Cash and Cash Equivalents	$	178,296
Accounts Receivable, net		16,785
Total Current Assets		195,081
Non-Current Assets:		
Restricted Cash and Cash Equivalents		44,071
Capital Assets:		
Nondepreciable Capital Assets		25,250
Depreciable Capital Assets		422,131
Accumulated Depreciation		(97,132)
Total Capital Assets		350,249
Net Pension Asset		16,638
Total Non-Current Assets		410,958
Total Assets		606,039
Deferred Outflow of Resources		36,994
Liabilities		
Current Liabilities:		
Accounts Payable		7,871
Accrued Wages and Payroll Taxes		13,200
Accrued Compensated Absences		14,553
Current Portion of Mortgage Note		7,707
Total Current Liabilities		43,331
Non-Current Liabilities:		
Family Self-Sufficiency Deposits Payable		17,946
Mortgage Note		197,363
Net Pension Liability		146,181
Total Non-Current Liabilities		361,490
Total Liabilities		404,821
Deferred Inflow of Resources		7,645
Net Position		
Net Investment in Capital Assets		145,179
Restricted		26,125
Unrestricted		59,263
Total Net Position	$	230,567

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

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Operating Revenues		
Operating Grants		$ 3,128,362
Fraud Recovery		2,608
Other Revenues		127,478
Total Operating Revenues		3,258,448
Operating Expenses		
Housing Assistance Payments	$ 2,763,317	
Salaries	299,228	
Employee Benefits	6,065	
Other Administrative Expense	93,178	
Utilities	17,288	
Material and Operations	7,083	
General	25,353	
Depreciation	19,202	
Total Operating Expenses		3,230,714
Operating Income		27,734
Nonoperating Revenues (Expenses)		
Interest Revenue		81
Interest Expense		(10,492)
Total Nonoperating Revenues (Expenses)		(10,411)
Change in Net Position		17,323
Net Position at October 1, 2014, As Restated		213,244
Net Position at September 30, 2015		$ 230,567

The notes to the basic financial statements are an integral part of this statement.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Cash flows from operating activities:		
Cash received from HUD	$	3,130,755
Cash received from other sources		130,086
Cash payments to employees for services		(363,254)
Cash payments for good or services - HUD		(2,763,317)
Cash payments for goods or services		(112,797)
Net cash provided by operating activities		21,473
Cash flows from investing activities:		
Interest		81
Net cash provided by investing activities		81
Cash flows from capital and related financing activities:		
Principal paid on mortgage note		(7,357)
Interest paid on mortgage note		(10,492)
Purchase of capital assets		(2,995)
Net cash used in capital and related financing activities		(20,844)
Net change in cash and cash equivalents		710
Cash and cash equivalents at October 1, 2014		221,657
Cash and cash equivalents at September 30, 2015	$	222,367
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	27,734
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		19,202
Changes in:		
Accounts receivable, net		(891)
Prepaid items		8,553
Net pension asset		(12,104)
Accounts payable		(2,167)
Accrued wages and payroll taxes		1,069
Net pension liability		3,302
Other liabilities		6,124
Deferred outflow of resources		(36,994)
Deferred inflow of resources		7,645
Net cash provided by operating activities	$	21,473

The notes to the basic financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Knox Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units,* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority.

> **Knox Housing Services, Inc.** - This organization was formed as an instrumentality of the Authority to assist in the development and financing of housing projects. Knox Housing Services, Inc. is legally separate from the Authority however, the Board of the organization includes a Board member of the Authority.

The Knox Housing Services, Inc. was created in March of 2004 and received its 501(c)(3) status letter on March 3, 2004.

The responsibility of the Authority was to make application to the State of Ohio to establish the organization and to obtain section 501(c)(3) non-profit exemption status. For fiscal year-end 2015, the Knox Housing Services, Inc. has been excluded from reporting as it is not considered to be a component unit of the Authority.

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 Housing Choice Voucher and other programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Type:

Proprietary funds are used to account for the Authority's ongoing activities that are similar to those found in the private sector. The following is the Authority's proprietary fund type:

Enterprise Fund – The Authority accounts for and reports all receipts on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow of resources liabilities, and deferred inflow of resources 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 total net position. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for and reports all operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting and Reporting for Nonexchange Transactions

The Authority accounts for nonexchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after June 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Statement of Revenue, Expenses and Changes in Net Position.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold previously used by the Authority is $500; beginning for fiscal year end 2014 reporting, the capitalization threshold was increased and prospectively applied to $1,000. The following are the useful lives used for depreciation purposes:

Description	Estimated Useful Lives - Years
Equipment, Vehicles, and Furniture	3 - 7
Buildings & Improvements	15 - 30
Leasehold Improvements	15

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Estimates

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

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as these benefits are earned and used within the fiscal year; unused balances are carried over however no benefits are paid out upon termination of employment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation and sick leave policies are established by the Board of Trustees based on local and state laws. Employees are entitled to 12 days of annual vacation leave after completing twelve months of consecutive employment, 17 days after six years of service, 22 days after 13 years of service, and 27 days after 23 years of service. Sick pay is accumulated at the rate of 4.33 hours for each completed 75 hours of pay to a maximum of 900 hours. Employees are allowed to accumulate a maximum of three weeks for vacation leave at the end of each calendar year. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a current liability.

Pensions – Deferred Inflow/Outflow of Resources

For purposes of measuring the net pension liability/(asset), 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.

Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. 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. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislature at September 30, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency Deposits of $17,946 and Housing Assistance Payment equity balance of $26,125. See Note 5 for additional information concerning Family Self-Sufficiency restricted assets.

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 nonoperating revenues.

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported September 30, 2014:

Net position September 30, 2014	$ 351,589
Adjustments:	
Add: Net Pension Asset	4,534
Less: Net Pension Liability	(142,879)
Restated Net Position September 30, 2014	$ 213,244

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in either interest bearing or non-interest bearing accounts at the Authority’s discretion. Security shall be furnished for all accounts in the Authority’s name.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Cash and cash equivalents included in the Authority's cash position at September 30, 2015 are as follows:

	Checking	Savings	Total
Demand Deposits:			
Bank balance	$ 49,730	$172,602	$222,332
Items-in-transit	(65)	-	(65)
Carrying balance	$ 49,665	$172,602	$222,267

Of the fiscal year-end bank balance, $222,332 of deposits of the total checking and saving account balances were covered by federal deposit insurance. $100 was maintained in petty cash funds.

Based on the Authority having only demand deposits at September 30, 2015, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

4. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2015:

	Balance 9/30/2014	Increase	Decrease	Balance 9/30/2015
Capital Assets Not Depreciated				
Land	$ 25,250	$ -	$ -	$ 25,250
Capital Assets Depreciated				
Building	324,920	-	-	324,920
Equipment	85,620	2,995	-	88,615
Leasehold Improvement	8,596	-	-	8,596
Total Capital Assets Depreciated	419,136	2,995	-	422,131
Accumulated Depreciation				
Building	(21,661)	(11,815)	-	(33,476)
Equipment	(55,505)	(6,814)	-	(62,319)
Leasehold Improvement	(764)	(573)	-	(1,337)
Total Accumulated Depreciation	(77,930)	(19,202)	-	(97,132)
Total Capital Assets Depreciated, Net	341,206	(16,207)	-	324,999
Total Capital Assets, Net	$ 366,456	$ (16,207)	$ -	$ 350,249

5. FSS ESCROW PAYABLE

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract (with a two year extension option) at which time, they either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs, the money earned is used by the Authority to reinvest into the Housing Choice Voucher Program.

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2015, the Authority purchased commercial insurance for public officials and employment practices liability for general insurance, property, crime, electronic equipment, and automobile insurance.

Public officials' liability and employment practices liability insurance each carries a $5,000 deductible. Commercial property, general liability, and vehicle insurance each carries a $500 deductible.

Settled claims have not exceeded this coverage in any of the last three fiscal years. There has been no significant reduction in coverage from last fiscal year.

7. DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset)

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability/(asset) is not reported in the accompanying financial statements. The net pension liability/(asset) has been disclosed below.

The net pension liability/(asset) reported on the statement of net position represents a liability/(asset) 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.

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

The net pension liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

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 with a few employees being members of the combined plan; therefore, the following disclosure focuses on the traditional and combined pension plans.

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.

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

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

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

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

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

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 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 contribution to OPERS was $41,902 for fiscal year 2015. Of this amount $3,484 is reported within accrued wages and payroll taxes.

The net pension liability/(asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability/(asset) was based on the Authority's share of the contributions to the pension plan relative to the contributions of all participating entities. The Authority's pension expense for fiscal year 2015 was $39,877. Following is information related to the proportionate share:

	OPERS Traditional Plan	OPERS Combined Plan
Proportionate Share of the Net Pension Liability/(Asset)	$146,181	($16,638)
Proportion of the Net Pension Liability/(Asset)	0.001212%	0.043214%

At September 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows
Net difference between projected and actual investment earnings on pension plan investments	$ 8,816
Authority contributions subsequent to the measurement date	28,178
Total Deferred Outflow of Resources	$ 36,994

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

	Total Deferred Inflows
Difference between expected and actual experience	$ 7,645

The $28,178 reported as deferred outflow of resources resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or increase in net pension asset) in the fiscal year ending September 30, 2016. Under the Traditional Pension Plan, the 2014 amortization period for the difference between expected and actual experience is 3.1673 years, and 5 years for the net difference between projected and actual investment earning on pension plan investments. Under the Combined Plan, the 2014 amortization period for the difference between expected and actual experience is 9.4080 years, and 5 years for the net difference between projected and actual investment earning on pension plan investments. Other amounts reported as deferred outflows of resources and deferred inflows of resources related will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	
2015	$ 412
2016	412
2017	412
2018	1,088
2019	1,224
Thereafter	(2,377)
Total	$ 1,171

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

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

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

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 Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

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 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2014	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	18.00%	4.59%
TOTAL	100.00%	5.28%

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability(asset).

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability/(asset) calculated using the current period discount rate assumption of 8 percent, as well as what the Authority's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Authority's proportionate share of the net pension liability/(asset)			
Traditional Plan	$ 268,931	$146,181	$ 42,796
Combined Plan	$ 2,161	($ 16,638)	($ 31,546)

Plan Fiduciary Net Position Detailed information about the Plan's fiduciary net position is available in the separately issued OPERS's financial report.

Other Post Retirement Benefits **–** In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Retirement Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan and Combined Plan was 2% during calendar year 2014 (latest information available). Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Employer contributions made to fund post-employment benefits were approximately $5,980.

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

8. COMPENSATED ABSENCES

Employees earn annual vacation and sick leave per anniversary year, based on years of service. Annual vacation leave is to be used in the year of service earned; three weeks of vacation hours earned and unused may be carried over to the next fiscal year. Vacation leave may be accumulated and is paid out based on Board policy upon termination or retirement. As of September 30, 2015, the accrual for compensated absences totaled $14,553 and has been included in the accompanying Statement of Net Position. The Authority considers the entire liability balance to be due in one year.

9. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2015:

Description	Restated Balance 09/30/14	Additions	Deletions	Balance 09/30/15	Due Within One Year
Mortgage Note Payable	$212,427	$ -	$ (7,357)	$205,070	$7,707
Net Pension Liability	142,879	3,302	-	146,181	-
Compensated Absence Payable	18,899	3,640	(7,986)	14,553	14,553
Total	**$374,205**	**$ 6,942**	**$(15,343)**	**$365,804**	**$22,260**

See Note 2 and 7 for information on the Authority's net pension liability.

In November 2012, the Authority entered into a mortgage note in the amount of $225,000 to purchase the Authority's administration building. The note requires 119 monthly installments of $1,487.47, along with a final balloon payment of $141,592.82 due on November 14, 2022, including interest at 4.950% per annum; there will be an option to refinance the loan rather than making the balloon payment, which the Authority intends to exercise this option. At September 30, 2015, the Authority had an outstanding mortgage note payable of $205,070.

The aggregate amounts of long-term debt maturities for the remaining fiscal years following fiscal year 2015 are as follows:

9. LONG-TERM LIABILITIES – CONTINUED

Fiscal Year	Principal	Interest	Total
2016	$ 7,707	$ 10,143	$ 17,850
2017	8,131	9,719	17,850
2018	8,549	9,301	17,850
2019	8,988	8,862	17,850
2020	9,425	8,425	17,850
2021-2023	162,270	16,511	178,781
Total	$ 205,070	$ 62,961	$ 268,031

10. CONTINGENT LIABILITIES

A. 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 costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2015.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS

	2015	2014
Authority's Proportion of the Net Pension Liability – Traditional Plan	0.001212%	0.001212%
Authority's Proportion of the Net Pension Asset – Combined Plan	0.043214%	0.043214%
Authority's Proportionate Share of the Net Pension Liability – Traditional Plan	$ 146,181	$ 142,879
Authority's Proportionate Share of the Net Pension Asset – Combined Plan	($ 16,638)	($ 4,534)
Authority's Covered Employee Payroll	$ 299,299	$ 304,353
Authority's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Employee Payroll	43.28%	45.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)		
Traditional Plan	86.45%	86.36%
Combined Plan	114.83%	104.33%

(1) Information prior to 2014 is not available.
(2) The amounts presented for each fiscal year were determined as of the calendar year-ended that occurred within the fiscal year.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required employer contribution	$ 41,902	$ 42,609	$ 43,268	$ 42,569	$40,473	$ 36,152	$ 33,268	$ 29,392	$ 28,954	$ 28,155
Contributions in Relation to the Contractually Required Contribution	(41,902)	(42,609)	(43,268)	(42,569)	(40,473)	(36,152)	(33,268)	(29,392)	(28,954)	(28,155)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Authority Covered-Employee Payroll	$299,299	$304,353	$309,057	$304,064	$289,093	$258,229	$237,629	$211,149	$210,116	$207,786
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%	13.78%	13.55%

(1) Total contributions reported include any amounts contributed to other post employment benefits in additional to the Traditional and Combined plans.

Ohio Public Employees' Retirement System

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

ENTITY WIDE BALANCE SHEET SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2015

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	Business Activities	14.896 PIH Family Self-Sufficiency Program	Total
	Current Assets				
	Cash				
111	Cash - Unrestricted	$ 43,327	$ 134,969	$ -	$ 178,296
113	Cash - Other Restricted	26,125	-	17,946	44,071
100	Total Cash	69,452	134,969	17,946	222,367
	Accounts Receivable				
122	HUD Other Projects	11,963	-	-	11,963
125	Miscellaneous	-	4,822	-	4,822
128	Fraud Recovery	4,452	-	-	4,452
128.1	Allowance for Doubtful Accounts	(4,452)	-	-	(4,452)
120	Total Receivables, Net of Allowance for Doubtful Accounts	11,963	4,822	-	16,785
150	Total Current Assets	81,415	139,791	17,946	239,152
	Noncurrent Assets				
	Capital Assets				
161	Land	-	25,250	-	25,250
162	Buildings	-	324,920	-	324,920
164	Furniture and Equipment - Administration	63,916	24,699	-	88,615
165	Leasehold Improvements	-	8,596	-	8,596
166	Accumulated Depreciation	(58,759)	(38,373)	-	(97,132)
160	Total Capital Assets net of accumulated depreciation	5,157	345,092	-	350,249
174	Other Assets	12,728	3,910	-	16,638
180	Total Noncurrent Assets	17,885	349,002	-	366,887
190	Total Assets	99,300	488,793	17,946	606,039
200	Deferred Outflow of Resources	28,300	8,694	-	36,994
290	Total Assets and Deferred Outflow of Resources	$ 127,600	$ 497,487	$ 17,946	$ 643,033
	Current Liabilities				
312	Accounts Payable	$ 4,337	$ 3,534	$ -	$ 7,871
321	Accrued Wages and Payroll Taxes	13,200	-	-	13,200
322	Accrued Compensated Absences - Current	14,553	-	-	14,553
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage	-	7,707	-	7,707
310	Total Current Liabilities	32,090	11,241	-	43,331
	Non-Current Liabilities				
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage	-	197,363	-	197,363
353	Non-Current Liabilities - Other	-	-	17,946	17,946
357	Accrued Pension and OPEB Liabilities	111,828	34,353	-	146,181
350	Total Non-Current Liabilities	111,828	231,716	17,946	361,490
300	Total Liabilities	143,918	242,957	17,946	404,821
400	Deferred Inlow of Resources	5,848	1,797	-	7,645
	Net Position				
508.1	Net Investment in Capital Assets	5,157	140,022	-	145,179
511.1	Restricted Net Position	26,125	-	-	26,125
512.1	Unrestricted Net Position	(53,448)	112,711	-	59,263
	Total Net Position	(22,166)	252,733	-	230,567
600	Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 127,600	$ 497,487	$ 17,946	$ 643,033

NOTE FOR REAC REPORTING: The accompanying statements have been prepared in accordance with the format as required for HUD's electronic filing REAC system. The format and classifications of various line items may differ from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United States of America.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.238 Shelter Plus Care	Business Activites	14.896 PIH Family Self-Sufficiency Program	14.267 Contiunuum of Care Program	Elimination	Total
	Revenue							
70600	HUD PHA Operating Grants	$ 2,956,905	$ 5,997	$ -	$ 17,190	$ 148,270	$ -	$ 3,128,362
71100	Investment Income - Unrestricted	-	-	81	-	-	-	81
71400	Fraud Recovery	2,608	-	-	-	-	-	2,608
71500	Other Revenue	-	-	147,855	-	-	(20,377)	127,478
70000	Total Revenue	2,959,513	5,997	147,936	17,190	148,270	(20,377)	3,258,529
	Expenses							
91100	Administrative Salaries	219,333	887	59,504	14,586	4,918	-	299,228
91200	Auditing Fees	4,186	-	1,285	-	-	-	5,471
91500	Employee Benefit Contribution - Administrative	1,878	-	982	2,604	601	-	6,065
91600	Office Expenses	84,065	424	20,440	-	1,842	(20,377)	86,394
91700	Legal Expense	144	-	-	-	-	-	144
91800	Travel	1,062	-	91	-	16	-	1,169
91000	Total Operating - Administrative	310,668	1,311	82,302	17,190	7,377	(20,377)	398,471
93100	Water	-	-	868	-	-	-	868
93200	Electricity	-	-	13,940	-	-	-	13,940
93300	Gas	-	-	2,480	-	-	-	2,480
91000	Total Utilities	-	-	17,288	-	-	-	17,288
94200	Ordinary Maintenance and Operations - Materials and Other	4,369	-	2,714	-	-	-	7,083
94000	Total Maintenance and Operations	4,369	-	2,714	-	-	-	7,083
96120	Liability Insurance	5,113	-	1,337	-	233	-	6,683
96140	All Other Insurance	14,283	-	3,734	-	653	-	18,670
96100	Total Insurance Premiums	19,396	-	5,071	-	886	-	25,353
96710	Interest of Mortgage (or Bonds) Payable	-	-	10,492	-	-	-	10,492
96700	Total Interest Expense and Amortization Cost	-	-	10,492	-	-	-	10,492
96900	Total Operating Expenses	334,433	1,311	117,867	17,190	8,263	(20,377)	458,687
97000	Excess Operating Revenue Over Operating Expenses	2,625,080	4,686	30,069	-	140,007	-	2,799,842
	Other Expenses							
97300	Housing Assistance Payments	2,618,624	4,686	-	-	140,007	-	2,763,317
97400	Depreciation Expense	5,038	-	14,164	-	-	-	19,202
	Total Other Expenses	2,623,662	4,686	14,164	-	140,007	-	2,782,519
90000	Total Expenses	2,958,095	5,997	132,031	17,190	148,270	(20,377)	3,241,206
10000	Excess of Revenues under Expenses	1,418	-	15,905	-	-	-	17,323
11030	Beginning Net Position	86,055	-	265,534	-	-	-	351,589
11040	Prior Period Adjustments, Equity Transfers and Correction	(109,639)	-	(28,706)	-	-	-	(138,345)
11170	Administrative Fee Equity	(48,291)	-	-	-	-	-	(48,291)
11180	Housing Assistance Payment Equity	26,125	-	-	-	-	-	26,125
	Total Ending Net Position	$ (22,166)	$ -	$ 252,733	$ -	$ -	$ -	$ 230,567

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

STATEMENT OF CHANGES IN EQUITY BALANCES
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers		
11170-001	Administrative Fee Equity - Beginning Balance			$ 22,428
11170-010	Administrative Fee Revenue	$ 365,720		
11170-021	FSS Cordinator Grant	11,367		
11170-045	Fraud Recovery Revenue	1,304		
11170-060	Total Administrative Fee Revenues		378,391	
11170-080	Total Operating Expenses	334,433		
11170-090	Depreciation	5,038		
11170-100	Other Expenses	109,639		
11170-101	Comment for Other Expenses: Restatement amount allocated to HCV program for GASB 68 Restatement.			
11170-110	Total Expenses		449,110	
11170-002	Net Administrative Fee			(70,719)
11170-003	Administrative Fee Equity - Ending Balance			(48,291)
11170	Administrative Fee Equity			$ (48,291)
11180-001	Housing Assistance Payments Equity - Beginning Balance			$ 63,627
11180-010	Housing Assistance Payment Revenues	2,579,818		
11180-015	Fraud Recovery Revenue	1,304		
11180-030	Total Housing Assistance Payments Revenues		2,581,122	
11180-080	Housing Assistance Payments	2,618,624		
11180-100	Total Housing Assistance Payments Expenses		2,618,624	
11180-002	Net Housing Assistance Payments			(37,502)
11180-003	Housing Assistance Payments Equity - Ending Balance			26,125
11180	Housing Assistance Payments Equity			$ 26,125

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor / Pass Through Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Funding:			
Shelter Plus Care	N/A	14.238	$ 5,997
Continuum of Care Program	N/A	14.267	148,270
Section 8 Housing Choice Vouchers	N/A	14.871	2,956,905
Family Self-Sufficiency Program	N/A	14.896	17,190
Total Federal Award Expenditures			$ 3,128,362

NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES

The accompanying schedule of federal award expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

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

Knox Metropolitan Housing Authority
Knox County
201A West High Street
Mount Vernon, Ohio 43050

To the Board of Trustees:

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 Knox Metropolitan Housing Authority, Knox County, (the Authority) as of and for the fiscal year ended September 30, 2015, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 9, 2016 wherein we noted the Authority adopted Governmental Accounting Standard No 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

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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CERTIFIED PUBLIC ACCOUNTANTS
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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.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 9, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Knox Metropolitan Housing Authority
Knox County
201A West High Street
Mount Vernon, Ohio 43050

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Knox Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Knox Metropolitan Housing Authority's major federal program for the fiscal year ended September 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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.

Wilson, Shannon & Snow, Inc.

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Opinion on the Major Federal Program

In our opinion, the Knox Metropolitan Housing Authority, Knox County, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended September 30, 2015.

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 OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 9, 2016

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Program's Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Section 8 Housing Choice Vouchers/CFDA #14.871
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	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

KNOX METROPOLITAN HOUSING AUTHORITY

KNOX 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
MAY 26, 2016