

**KNOX METROPOLITAN HOUSING AUTHORITY**

**KNOX COUNTY**

**SINGLE AUDIT**

**OCTOBER 1, 2015 – SEPTEMBER 30, 2016**







# Dave Yost • Auditor of State

Board of Trustees  
Knox Metropolitan Housing Authority  
201A 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, 2015 through September 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

May 11, 2017

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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Newark, Ohio 43055

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Knox Metropolitan Housing Authority  
Knox County  
Independent Auditor's Report

***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 as of September 30, 2016, 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.

***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 Information*

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

The Financial Data Schedules as required by the Department of Housing and Urban Development present additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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.



Knox Metropolitan Housing Authority  
Knox County  
Independent Auditor's Report

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

In accordance with *Government Auditing Standards*, we have also issued our report February 28, 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.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
February 28, 2017

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

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 2016, the Authority’s net position increased by \$20,099 (or 8.7%). 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 2015 was \$230,567 and \$250,666 for fiscal year 2016.
- Revenues increased by \$56,883 (or 1.7%) during fiscal year 2016, and were \$3,258,529 and \$3,315,412 for fiscal year 2015 and fiscal year 2016, respectively.
- Expenses increased by \$54,107 (or 1.7%) during fiscal year 2016. Total expenses were \$3,241,206 and \$3,295,313 for fiscal year 2015 and fiscal year 2016, 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 Expenditures of Federal Awards ~

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

**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.

**Continuum of 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.

**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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

**Statement of Net Position**

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

**STATEMENT OF NET POSITION**

	<u>2016</u>	<u>2015</u>
Current and Other Noncurrent Assets	\$284,721	\$255,790
Capital Assets	<u>340,566</u>	<u>350,249</u>
Total Assets	<u>625,287</u>	<u>606,039</u>
Deferred Outflows of Resources	<u>88,202</u>	<u>36,994</u>
Current Liabilities	73,051	43,331
Non-Current Liabilities	<u>376,991</u>	<u>361,490</u>
Total Liabilities	<u>450,042</u>	<u>404,821</u>
Deferred Inflows of Resources	<u>12,781</u>	<u>7,645</u>
Net Position		
Net Investment in Capital Assets	148,292	145,179
Restricted	19,559	26,125
Unrestricted	<u>82,815</u>	<u>59,263</u>
Total Net Position	\$ <u>250,666</u>	\$ <u>230,567</u>

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 \$28,931 due to timing of receipts and payments around fiscal year end. The net pension asset increased between fiscal years. Total liabilities increased by \$45,221 as accounts payable and accrued wages and payroll taxes increased based on timing of liabilities and payments at fiscal year end compared to prior fiscal year end. The net pension asset and net pension liability increased based on information provided by the retirement system’s year end reporting and the Authority’s allocated proportion.

Capital assets had a net decrease of \$9,683 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.

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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

**CHANGE OF UNRESTRICTED NET POSITION**

Unrestricted Net Position September 30, 2015		\$ 59,263
Results of Operations:	\$ 26,665	
Adjustments:		
Depreciation (1)	<u>17,138</u>	
Adjusted Results from Operations		43,803
Capital Outlay		(7,455)
Retirement of Debt		<u>(12,796)</u>
Unrestricted Net Position September 30, 2016		\$ <u>82,815</u>

(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, 2015		\$ 26,125
Results of Operations:		
HAP Reserves Used	(\$ 8,086)	
Other	<u>1,520</u>	
Adjusted Results from Operations		<u>(6,566)</u>
Restricted Net Position September 30, 2016		\$ <u>19,559</u>

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**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(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.

	<u>2016</u>	<u>2015</u>
Revenues		
Operating Grants	\$ 3,167,680	\$ 3,128,362
Interest	91	81
Other Revenues	<u>147,641</u>	<u>130,086</u>
Total Revenue	<u>3,315,412</u>	<u>3,258,529</u>
Expenses		
Administrative	454,671	398,471
Maintenance	24,871	24,371
General	6,176	25,353
Housing Assistance Payments	2,783,501	2,763,317
Interest	8,956	10,492
Depreciation	<u>17,138</u>	<u>19,202</u>
Total Expenses	<u>3,295,313</u>	<u>3,241,206</u>
Change in Net Position	20,099	17,323
Net Position at October 1	<u>230,567</u>	<u>213,244</u>
Net Position at September 30	\$ <u>250,666</u>	\$ <u>230,567</u>

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

Operating Grants increased by \$39,318 (approximately 1%) due to HUD funding changes and changes in grant programs awarded to the Authority during fiscal year 2016. In the same regard, Housing Assistance Payments remained fairly consistent increasing only \$20,184 during fiscal year 2016 which is expected based on little fluctuation in units months leased between fiscal year 2016 and fiscal year 2015.

Administrative expenses include salaries and related benefits, along with other administrative expenses such as audit fees and office expenses. The increase primarily relates to increases in insurance premiums and other employee benefits along with salary increases.

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



**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

**CAPTIAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2016, the Authority had \$340,566 invested in Capital Assets as reflected in the following schedule, which represents a net decrease (additions less depreciation).

**CAPITAL ASSETS AT FISCAL YEAR END  
(NET OF DEPRECIATION)**

	Business-type Activities	
	<u>2016</u>	<u>2015</u>
Land	\$ 25,250	\$ 25,250
Construction in Progress	7,455	-
Building	324,920	324,920
Furniture, Fixtures, and Equipment	88,615	88,615
Leasehold Improvements	8,596	8,596
Accumulated Depreciation	(114,270)	(97,132)
Total	\$ <u>340,566</u>	\$ <u>350,249</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3 of the notes to the basic financial statements.

**CHANGE IN CAPITAL ASSETS**

	Business-type Activities
Beginning Balance	\$ 350,249
Additions	7,455
Depreciation	(17,138)
Ending Balance	\$ <u>340,566</u>

Additions of capital assets for fiscal year 2016 related to the accrual of payments on the new server which will be put into place during fiscal year 2017. The Authority had no disposals of capital assets in fiscal year 2016.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

**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, 2016, the Authority had \$192,274 in debt (mortgage loan) outstanding as compared to \$205,070 at September 30, 2015. The decrease of \$12,796 represents the current fiscal year debt repayment. For further information related to fiscal year 2016 debt activity, see Note 8.

**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 Jennifer Ebeling, 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  
SEPTEMBER 30, 2016**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$	196,962
Accounts Receivable, net		21,170
<b>Total Current Assets</b>		<u>218,132</u>

Non-Current Assets:

Restricted Cash and Cash Equivalents		46,469
Capital Assets:		
Nondepreciable Capital Assets		32,705
Depreciable Capital Assets		422,131
Accumulated Depreciation		(114,270)
<b>Total Capital Assets</b>		<u>340,566</u>
Net Pension Asset		20,120
<b>Total Non-Current Assets</b>		<u>407,155</u>

**Total Assets** 625,287

**Deferred Outflow of Resources** 88,202

**Liabilities**

Current Liabilities:

Accounts Payable		27,966
Accrued Wages and Payroll Taxes		24,770
Accrued Compensated Absences		12,184
Current Portion of Mortgage Note		8,131
<b>Total Current Liabilities</b>		<u>73,051</u>

Non-Current Liabilities:

Family Self-Sufficiency Deposits Payable		26,910
Mortgage Note		184,143
Net Pension Liability		165,938
<b>Total Non-Current Liabilities</b>		<u>376,991</u>

**Total Liabilities** 450,042

**Deferred Inflow of Resources** 12,781

**Net Position**

Net Investment in Capital Assets		148,292
Restricted		19,559
Unrestricted		82,815
		<u>250,666</u>

**Total Net Position** \$ 250,666

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, 2016**

<b>Operating Revenues</b>		
Operating Grants		\$ 3,167,680
Fraud Recovery		3,036
Other Revenues		<u>144,605</u>
 Total Operating Revenues		 <u>3,315,321</u>
<b>Operating Expenses</b>		
Housing Assistance Payments	\$ 2,783,501	
Salaries	316,702	
Employee Benefits	28,510	
Other Administrative Expense	109,459	
Utilities	16,778	
Material and Operations	8,093	
General	6,176	
Depreciation	<u>17,138</u>	
 Total Operating Expenses		 <u>3,286,357</u>
 Operating Income		 <u>28,964</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Revenue		91
Interest Expense		<u>(8,956)</u>
 Total Nonoperating Revenues (Expenses)		 <u>(8,865)</u>
 Change in Net Position		 20,099
 Net Position at October 1, 2015		 <u>230,567</u>
 Net Position at September 30, 2016		 <u>\$ 250,666</u>

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, 2016**

**Cash flows from operating activities:**

Cash received from HUD	\$	3,171,033
Cash received from other sources		147,441
Cash payments to employees for services		(383,266)
Cash payments for good or services - HUD		(2,783,501)
Cash payments for goods or services		(108,982)
		(108,982)

Net cash provided by operating activities		42,725
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**Cash flows from investing activities:**

Interest		91
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Net cash provided by investing activities		91
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**Cash flows from capital and related financing activities:**

Principal paid on mortgage note		(12,796)
Interest paid on mortgage note		(8,956)
		(21,752)

Net cash used in capital and related financing activities		(21,752)
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Net change in cash and cash equivalents		21,064
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Cash and cash equivalents at October 1, 2015		222,367
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<b>Cash and cash equivalents at September 30, 2016</b>	<b>\$</b>	<b>243,431</b>
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**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$	28,964
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		17,138
Changes in:		
Accounts receivable, net		(4,385)
Net pension asset		(3,482)
Accounts payable		12,640
Accrued wages and payroll taxes		11,570
Net pension liability		19,757
Other liabilities		6,595
Deferred outflow of resources		(51,208)
Deferred inflow of resources		5,136
		5,136

<b>Net cash provided by operating activities</b>	<b>\$</b>	<b>42,725</b>
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The notes to the basic financial statements are an integral part of this statement.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**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 2016, 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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**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 used by the Authority is \$1,000. The following are the useful lives used for depreciation purposes:

<u>Description</u>	<u>Estimated Useful Lives - Years</u>
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.



**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**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, 2016.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**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 \$26,910 and Housing Assistance Payment equity balance of \$19,559. See Note 4 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. 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.

Cash and cash equivalents included in the Authority's cash position at September 30, 2016 are as follows:

	<u>Checking</u>	<u>Savings</u>	<u>Total</u>
Demand Deposits:			
Bank balance	\$ 35,586	\$208,192	\$243,778
Items-in-transit	<u>(347)</u>	<u>-</u>	<u>(347)</u>
Carrying balance	<u>\$ 35,239</u>	<u>\$208,192</u>	<u>\$243,431</u>

Of the fiscal year-end bank balance, \$243,431 of deposits of the total checking and saving account balances were covered by federal deposit insurance.

Based on the Authority having only demand deposits at September 30, 2016, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**3. CAPITAL ASSETS**

The following is a summary of capital assets at September 30, 2016:

	<b>Balance 9/30/2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance 9/30/2016</b>
<b>Capital Assets Not Depreciated</b>				
Land	\$ 25,250	\$ -	\$ -	\$ 25,250
Construction in Progress	-	7,455	-	7,455
<b>Total Capital Assets Not Depreciated</b>	<u>25,250</u>	<u>7,455</u>	<u>-</u>	<u>32,705</u>
<b>Capital Assets Depreciated</b>				
Building	324,920	-	-	324,920
Equipment	88,615	-	-	88,615
Leasehold Improvement	8,596	-	-	8,596
<b>Total Capital Assets Depreciated</b>	<u>422,131</u>	<u>-</u>	<u>-</u>	<u>422,131</u>
<b>Accumulated Depreciation</b>				
Building	(33,476)	(11,815)	-	(45,291)
Equipment	(62,319)	(4,750)	-	(67,069)
Leasehold Improvement	(1,337)	(573)	-	(1,910)
<b>Total Accumulated Depreciation</b>	<u>(97,132)</u>	<u>(17,138)</u>	<u>-</u>	<u>(114,270)</u>
<b>Total Capital Assets Depreciated, Net</b>	<u>324,999</u>	<u>(17,138)</u>	<u>-</u>	<u>307,861</u>
<b>Total Capital Assets, Net</b>	<u>\$ 350,249</u>	<u>\$ (9,683)</u>	<u>\$ -</u>	<u>\$ 340,566</u>

**4. 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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**5. 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 2016, 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.

**6. DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability/(Asset)*

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.

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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

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.

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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**6. 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
<b>2015 &amp; 2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 &amp; 2016 Actual Contribution Rates</b>	
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 \$41,309 for fiscal year 2016. Of this amount \$951 is reported within accrued wages and payroll taxes.

The net pension liability/(asset) was measured as of December 31, 2015, 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 2016 was \$41,309. Following is information related to the proportionate share:

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$165,938	(\$20,120)
Proportion of the Net Pension Liability/(Asset)	0.000958%	0.043120%

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

	<u>Total Deferred Outflows</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 57,835
Authority contributions subsequent to the measurement date	<u>30,367</u>
Total Deferred Outflow of Resources	<u>\$ 88,202</u>
	<u>Total Deferred Inflows</u>
Difference between expected and actual experience	\$ 12,781

The \$30,367 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, 2017. Under the Traditional Pension Plan, the 2015 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 2015 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:	
2017	\$ 9,537
2018	9,537
2019	9,537
2020	10,380
2021	10,549
Thereafter	<u>(4,486)</u>
Total	<u>\$45,054</u>

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

*Actuarial Assumptions*

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 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.

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 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:



**KNOX METROPOLITAN HOUSING AUTHORITY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

<u>Asset Class</u>	<u>Target Allocation for 2015</u>	<u>Weighted Average Long- Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
<b>TOTAL</b>	<b>100.00%</b>	<b>5.27%</b>

**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).

**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:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Authority’s proportionate share of the net pension liability/(asset)			
Traditional Plan	\$264,379	\$165,938	\$ 82,905
Combined Plan	(\$431)	(\$20,120)	(\$37,514)

**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.

**KNOX METROPOLITAN HOUSING AUTHORITY  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

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 2016. Effective January 1, 2017, the portion of employer contributions allocated to healthcare will decrease to 1% 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 \$6,100.

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.

**7. 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, 2016, the accrual for compensated absences totaled \$12,184 and has been included in the accompanying Statement of Net Position. The Authority considers the entire liability balance to be due in one year.

**8. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2016:

<u>Description</u>	<u>Balance</u> <u>09/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/16</u>	<u>Due Within</u> <u>One Year</u>
Mortgage Note Payable	\$205,070	\$ -	\$(12,796)	\$192,274	\$8,131
Net Pension Liability	146,181	19,757	-	165,938	-
Family Self-Sufficiency Payable	17,946	19,261	(10,297)	26,910	-
Compensated Absence Payable	<u>14,553</u>	<u>1,669</u>	<u>(4,038)</u>	<u>12,184</u>	<u>12,184</u>
<b>Total</b>	<b><u>\$383,750</u></b>	<b><u>\$ 40,687</u></b>	<b><u>\$(27,131)</u></b>	<b><u>\$397,306</u></b>	<b><u>\$20,315</u></b>

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**8. LONG-TERM LIABILITIES**

See Note 6 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. During fiscal year 2016, the Authority made additional payments to principal to reduce the loan liability. At September 30, 2016, the Authority had an outstanding mortgage note payable of \$192,274.

The aggregate amounts of long-term debt maturities for the remaining fiscal years following fiscal year 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	9,933	7,917	17,850
2022-2023	<u>147,248</u>	<u>8,594</u>	<u>155,842</u>
Total	\$ <u>192,274</u>	\$ <u>52,818</u>	\$ <u>245,092</u>

**9. 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, 2016.

**B. Litigation**

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

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**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY/(ASSET)  
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability – Traditional Plan	0.000958%	0.001212%	0.001212%
Authority's Proportion of the Net Pension Asset – Combined Plan	0.043120%	0.043214%	0.043214%
Authority's Proportionate Share of the Net Pension Liability – Traditional Plan	\$ 165,938	\$ 146,181	\$ 142,879
Authority's Proportionate Share of the Net Pension Asset – Combined Plan	(\$ 20,120)	(\$ 16,638)	(\$ 4,534)
Authority's Covered Employee Payroll	\$295,064	\$ 299,299	\$ 304,353
Authority's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Employee Payroll	49.42%	43.28%	45.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)			
Traditional Plan	81.08%	86.45%	86.36%
Combined Plan	116.90%	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**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required employer contribution	\$ 41,309	\$ 41,902	\$ 42,609	\$ 43,268	\$ 42,569	\$40,473	\$ 36,152	\$ 33,268	\$ 29,392	\$ 28,954
Contributions in Relation to the Contractually Required Contribution	<u>(41,309)</u>	<u>(41,902)</u>	<u>(42,609)</u>	<u>(43,268)</u>	<u>(42,569)</u>	<u>(40,473)</u>	<u>(36,152)</u>	<u>(33,268)</u>	<u>(29,392)</u>	<u>(28,954)</u>
Contribution Deficiency (Excess)	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Authority Covered-Employee Payroll	\$295,064	\$299,299	\$304,353	\$309,057	\$304,064	\$289,093	\$258,229	\$237,629	\$211,149	\$210,116
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%	13.78%

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

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

***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, 2015, and 2016.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014, 2015, and 2016. 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, 2016**

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	\$ 67,499	\$ 129,463	\$ -	\$ 196,962
113	Cash - Other Restricted	19,559	-	26,910	46,469
100	Total Cash	<u>87,058</u>	<u>129,463</u>	<u>26,910</u>	<u>243,431</u>
	Accounts Receivable				
124	Other Government	-	21,170	-	21,170
128	Fraud Recovery	4,957	-	-	4,957
128.1	Allowance for Doubtful Accounts	(4,957)	-	-	(4,957)
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>-</u>	<u>21,170</u>	<u>-</u>	<u>21,170</u>
150	Total Current Assets	<u>87,058</u>	<u>150,633</u>	<u>26,910</u>	<u>264,601</u>
	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	(61,733)	(52,537)	-	(114,270)
167	Construction in Progress	-	7,455	-	7,455
160	Total Capital Assets net of accumulated depreciation	<u>2,183</u>	<u>338,383</u>	<u>-</u>	<u>340,566</u>
174	Other Assets	<u>15,230</u>	<u>4,890</u>	<u>-</u>	<u>20,120</u>
180	Total Noncurrent Assets	<u>17,413</u>	<u>343,273</u>	<u>-</u>	<u>360,686</u>
190	Total Assets	<u>104,471</u>	<u>493,906</u>	<u>26,910</u>	<u>625,287</u>
200	Deferred Outflow of Resources	<u>66,769</u>	<u>21,433</u>	<u>-</u>	<u>88,202</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 171,240</u>	<u>\$ 515,339</u>	<u>\$ 26,910</u>	<u>\$ 713,489</u>
	Current Liabilities				
312	Accounts Payable	\$ 16,835	\$ 11,131	\$ -	\$ 27,966
321	Accrued Wages and Payroll Taxes	24,770	-	-	24,770
322	Accrued Compensated Absences - Current	12,184	-	-	12,184
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage	-	8,131	-	8,131
310	Total Current Liabilities	<u>53,789</u>	<u>19,262</u>	<u>-</u>	<u>73,051</u>
	Non-Current Liabilities				
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage	-	184,143	-	184,143
353	Non-Current Liabilities - Other	-	-	26,910	26,910
357	Accrued Pension and OPEB Liabilities	125,615	40,323	-	165,938
350	Total Non-Current Liabilities	<u>125,615</u>	<u>224,466</u>	<u>26,910</u>	<u>376,991</u>
300	Total Liabilities	<u>179,404</u>	<u>243,728</u>	<u>26,910</u>	<u>450,042</u>
400	Deferred Inflow of Resources	<u>9,674</u>	<u>3,107</u>	<u>-</u>	<u>12,781</u>
	Net Position				
508.1	Net Investment in Capital Assets	2,183	146,109	-	148,292
511.1	Restricted Net Position	19,559	-	-	19,559
512.1	Unrestricted Net Position	(39,580)	122,395	-	82,815
	Total Net Position	<u>(17,838)</u>	<u>268,504</u>	<u>-</u>	<u>250,666</u>
600	Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 171,240</u>	<u>\$ 515,339</u>	<u>\$ 26,910</u>	<u>\$ 713,489</u>

NOTE FOR REAC REPORTING: The accompanying schedules 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, 2016**

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	Business Activites	14.896 PIH Family Self- Sufficiency Program	14.267 Contiunuum of Care Program	Elimination	Total
	Revenue						
70600	HUD PHA Operating Grants	\$ 3,006,803	\$ -	\$ 23,073	\$ 137,804	\$ -	\$ 3,167,680
71100	Investment Income - Unrestricted	-	89	-	-	-	89
71400	Fraud Recovery	3,036	-	-	-	-	3,036
71500	Other Revenue	-	164,981	-	-	(20,376)	144,605
72000	Investment Income - Restricted	2	-	-	-	-	2
70000	Total Revenue	<u>3,009,841</u>	<u>165,070</u>	<u>23,073</u>	<u>137,804</u>	<u>(20,376)</u>	<u>3,315,412</u>
	Expenses						
91100	Administrative Salaries	231,226	59,542	19,985	5,949	-	316,702
91200	Auditing Fees	3,836	1,265	-	104	-	5,205
91500	Employee Benefit Contribution - Administrative	21,640	2,354	3,088	1,428	-	28,510
91600	Office Expenses	81,307	40,517	-	735	(20,376)	102,183
91700	Legal Expense	1,276	-	-	-	-	1,276
91800	Travel	567	136	-	92	-	795
91000	Total Operating - Administrative	<u>339,852</u>	<u>103,814</u>	<u>23,073</u>	<u>8,308</u>	<u>(20,376)</u>	<u>454,671</u>
93100	Water	-	845	-	-	-	845
93200	Electricity	-	13,017	-	-	-	13,017
93300	Gas	-	2,916	-	-	-	2,916
91000	Total Utilities	<u>-</u>	<u>16,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,778</u>
94200	Ordinary Maintenance and Operations - Materials and Other	3,843	4,250	-	-	-	8,093
94000	Total Maintenance and Operations	<u>3,843</u>	<u>4,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,093</u>
96120	Liability Insurance	3,843	1,337	-	124	-	5,304
96130	Workmen's Compensation	872	-	-	-	-	872
96100	Total Insurance Premiums	<u>4,715</u>	<u>1,337</u>	<u>-</u>	<u>124</u>	<u>-</u>	<u>6,176</u>
96710	Interest of Mortgage (or Bonds) Payable	-	8,956	-	-	-	8,956
96700	Total Interest Expense and Amortization Cost	<u>-</u>	<u>8,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,956</u>
96900	Total Operating Expenses	<u>348,410</u>	<u>135,135</u>	<u>23,073</u>	<u>8,432</u>	<u>(20,376)</u>	<u>494,674</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>2,661,431</u>	<u>29,935</u>	<u>-</u>	<u>129,372</u>	<u>-</u>	<u>2,820,738</u>
	Other Expenses						
97300	Housing Assistance Payments	2,654,129	-	-	129,372	-	2,783,501
97400	Depreciation Expense	2,974	14,164	-	-	-	17,138
	Total Other Expenses	<u>2,657,103</u>	<u>14,164</u>	<u>-</u>	<u>129,372</u>	<u>-</u>	<u>2,800,639</u>
90000	Total Expenses	<u>3,005,513</u>	<u>149,299</u>	<u>23,073</u>	<u>137,804</u>	<u>(20,376)</u>	<u>3,295,313</u>
10000	Excess of Revenues under Expenses	4,328	15,771	-	-	-	20,099
11030	Beginning Net Position	(22,166)	252,733	-	-	-	230,567
11170	Administrative Fee Equity	(37,397)	-	-	-	-	(37,397)
11180	Housing Assistance Payment Equity	19,559	-	-	-	-	19,559
	Total Ending Net Position	<u>\$ (17,838)</u>	<u>\$ 268,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,666</u>

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**STATEMENT OF CHANGES IN EQUITY BALANCES  
FDS SCHEDULE SUBMITTED TO HUD  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<b>FDS Line Item No.</b>	<b>Account Description</b>	<b>14.871 Housing Choice Vouchers</b>	
11170-001	Administrative Fee Equity - Beginning Balance		\$ (48,291)
11170-010	Administrative Fee Revenue	\$ 360,760	
11170-045	Fraud Recovery Revenue	1,518	
11170-060	Total Administrative Fee Revenues		362,278
11170-080	Total Operating Expenses	348,410	
11170-090	Depreciation	2,974	
11170-110	Total Expenses		351,384
11170-002	Net Administrative Fee		10,894
11170-003	Administrative Fee Equity - Ending Balance		(37,397)
11170	Administrative Fee Equity		<u>\$ (37,397)</u>
11180-001	Housing Assistance Payments Equity - Beginning Balance		\$ 26,125
11180-010	Housing Assistance Payment Revenues	2,646,043	
11180-015	Fraud Recovery Revenue	1,518	
11180-025	Investment Income	2	
11180-030	Total Housing Assistance Payments Revenues		2,647,563
11180-080	Housing Assistance Payments	2,654,129	
11180-100	Total Housing Assistance Payments Expenses		2,654,129
11180-002	Net Housing Assistance Payments		(6,566)
11180-003	Housing Assistance Payments Equity - Ending Balance		19,559
11180	Housing Assistance Payments Equity		<u>\$ 19,559</u>

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<b>Federal Grantor / Pass Through Grantor Program Title</b>	<b>Pass-Through Number</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b><i>Direct Funding:</i></b>			
Continuum of Care Program	N/A	14.267	\$ 137,804
Section 8 Housing Choice Vouchers	N/A	14.871	3,006,803
Family Self-Sufficiency Program	N/A	14.896	<u>23,073</u>
Total Federal Award Expenditures			<u><u>\$ 3,167,680</u></u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Knox Metropolitan Housing Authority (the Authority) under programs of the federal government for the fiscal year ended September 30, 2016. 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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 28, 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.

***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*.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

***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, Shuman & Snow, Inc.*

Newark, Ohio  
February 28, 2017



**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**

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) *Compliance Supplement* that could directly and materially affect the Knox Metropolitan Housing Authority's major federal program for the fiscal year ended September 30, 2016. 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 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.

*Wilson, Shannon & Snow, Inc.*

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***Opinion on the Major Federal Program***

In our opinion, the Knox Metropolitan Housing 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 fiscal year ended September 30, 2016.

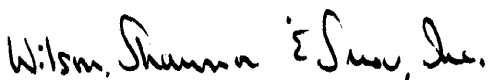
***Report on Internal Control Over Compliance***

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

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

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

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



Newark, Ohio  
February 28, 2017

**KNOX METROPOLITAN HOUSING AUTHORITY  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
SEPTEMBER 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





# 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 23, 2017**