
**FAYETTE METROPOLITAN
HOUSING AUTHORITY
FAYETTE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

For the Year Ended December 31, 2017



Dave Yost • Auditor of State

Board of Commissioners
Fayette Metropolitan Housing Authority
121 E. East Street
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the Fayette Metropolitan Housing Authority, Fayette County, prepared by JC & Company, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 27, 2018

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FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
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Jeanette R. Addington, MBA, CPA, CGFM ▪ Brian D. Long, CPA, PFS, CFF ▪ Keith A. Lewis, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Fayette Metropolitan Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which comprise Fayette Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Fayette Metropolitan Housing Authority, as of December 31, 2017, and the changes in financial position and cash flows for the year then ended in accordance with 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 that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Fayette Metropolitan Housing Authority's basic financial statements. The financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is represented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of Fayette Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Fayette Metropolitan Housing Authority's internal control over financial reporting and compliance.



JC & Company
Lancaster, Ohio
May 31, 2018

**FAYETTE METROPOLITAN HOUSING AUTHORITY
 FAYETTE COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (UNAUDITED)**

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

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.

FINANCIAL HIGHLIGHTS

- During FY 2017 the Authority's Net Position increased by \$29,596 (or 11.41%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type Net Position. Net Position was \$259,317 and \$288,913 for FY 2016 and FY 2017, respectively.
- The revenue decreased by \$125,972 (or 6.02%) during FY 2017 and was \$2,091,206 and \$1,965,234 for FY 2016 and FY 2017, respectively.
- The total expenses for the Authority were decreased by \$82,145 (or 4.07%). Total expenses were \$2,017,783 and \$1,935,638 for FY 2016 and FY 2017, respectively.

USING THIS ANNUAL REPORT

The Report includes the following sections:

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 ~

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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

Government-Wide Financial Statements

The Government-wide financial statements (see pgs 10-12) 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, minus liabilities, 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 Net Position") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories:

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

Restricted: 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 Net Position that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

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

The focus of the Statement of Revenues, Expenses and Changes in Fund 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, and from capital and related financing activities.

Fund Financial Statements

The Authority is accounted for as an Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector.

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The Authority's Programs

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 made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

Other Programs- In addition to the housing choice voucher program, the Authority also operates the following programs:

Section 8 New Construction Program – Provides housing assistance payments to participating owners on behalf of eligible tenants occupying the units under a lease agreement between the landlords and tenants.

Business Activities – represents non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

Statement of Net Position

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

STATEMENT OF NET POSITION

	<u>FY 2017</u>	<u>FY 2016</u>
Current and Other Assets	\$ 220,892	\$ 353,071
Capital Assets	665,955	686,426
	<hr/>	<hr/>
Total Assets	<u>\$ 886,847</u>	<u>\$1,039,497</u>
Other Liabilities	\$ 91,806	\$ 38,349
Non-Current Liabilities	506,128	584,113
	<hr/>	<hr/>
Total Liabilities	597,934	622,462
Deferred Inflows of Resources	-	157,718
Net Position:		
Invested in Capital Assets, net related Debt	112,111	83,875
Restricted	8,772	28,108
Unrestricted	168,030	147,334
	<hr/>	<hr/>
Total Net Position	<u>288,913</u>	<u>259,317</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 886,847</u>	<u>\$1,039,497</u>

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Major Factors Affecting the Statement of Net Position

Current assets were decreased by \$132,179 or 37% in FY 2017. There was no early HUD disbursement of January funds as there was last year. Liabilities were decreased during the FY 2017 by \$24,528 or 3.94% from loan payments.

Capital Assets also were decreased by a net amount of \$20,471. A roof was replaced for \$11,714 and the current year's depreciation will account for this year's decrease.

For more detail see "Capital Assets and Debt Administration" below.

CHANGE IN UNRESTRICTED NET POSITION

Unrestricted Net Position 12/31/16		\$ 147,334
Results of Operations	48,932	
Adjustments:		
Debt Payments/Retirements	(48,707)	
(1) Depreciation Exp CY	<u>32,185</u>	
Adjusted Results from Operations		32,410
(2) Capital Expenditures –net of Bank Notes		<u>(11,714)</u>
Unrestricted Net Position 12/31/17		<u><u>\$ 168,030</u></u>

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

(2) Capital expenditures represent an outflow of unrestricted net position, but are treated as an expense against results of operations and must be deducted.

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

CHANGE IN RESTRICTED NET POSITION

Restricted Net Position 12/31/16		\$ 28,108
Results of Operations		
Decrease to Reserve from CY funds	(22,156)	
Fraud Recovery & Forfeitures Payments	<u>2,820</u>	
Adjusted Results from Operations		<u>(19,336)</u>
Restricted Net Position 12/31/17		<u><u>\$ 8,772</u></u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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>FY 2017</u>	<u>FY 2016</u>
Revenues		
HUD PHA & Operating Grants	\$1,762,353	\$1,887,907
Investment Income	398	362
Tenant Revenue	121,346	120,767
Other Revenues	81,137	82,170
	<hr/>	<hr/>
Total Revenue	1,965,234	2,091,206
	<hr/>	<hr/>
Expenses		
Administrative	229,472	228,503
Utilities	-	1,745
Maintenance	41,887	44,524
General & Interest Expense	22,482	32,196
Housing Assistance Payments	1,609,611	1,674,743
Depreciation	32,186	36,072
	<hr/>	<hr/>
Total Expenses	1,935,638	2,017,783
	<hr/>	<hr/>
Net Increases	\$ 29,596	\$ 73,423

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

The HUD PHA & Operating Grants decreased \$113,908 or 6.03% for FY 2017 because of decreases to Grants funding.

Total expenses decreased by \$82,144 or 4.07% of which \$65,131 or 3.89% decrease was in HAP.

The net increase of \$41,241 for FY 2017 is allocated as follows: "Restricted" HAP funds for the Housing Choice Vouchers and the 5-year Mainstream had a net decrease of \$7,691, the "unrestricted" funds for the all the HUD programs totaled an increase of \$11,806, and an increase of \$37,126 for rental housing program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

**FAYETTE METROPOLITAN HOUSING AUTHORITY
 FAYETTE COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 (UNAUDITED)**

Capital Assets

As of December 31, 2017, the Authority had \$665,955 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$20,471 from the end of last year.

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

	<u>2017</u>	<u>2016</u>
Land	\$205,374	\$205,374
Buildings	784,570	784,569
Furniture, Equipment-All	137,180	137,180
Leasehold Improvements	81,073	69,359
Accumulated Depreciation	(542,242)	(510,056)
TOTAL	<u>\$665,955</u>	<u>\$686,426</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on Page 17 of the notes.

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance – 12/31/2016	\$ 686,426
Current Year Additions	11,714
Current Year Dispositions	(-)
Current Year Depreciation	<u>(32,185)</u>
Ending Balance – 12/31/2017	<u><u>\$ 665,955</u></u>

The additions for this year:

Roof replaced on 364 Carolyn Road - \$11,714

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Debt Outstanding

As of December 31, 2017, the Authority had \$ 553,844 (bonds, notes, etc.) outstanding compared to \$602,552 last year for a \$48,708 decrease.

CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance – January 1, 2017	\$602,552
Current Year Loans Proceeds	-
Current Year Loan Retirements	<u>(48,708)</u>
Ending Balance- December 31, 2017	<u>\$ 553,844</u>

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 Nancy A. Reed; Executive Director for the Fayette Metropolitan Housing Authority, at (740) 335-7525. Specific requests may be submitted to the Authority at 121 E. East Street, Washington Court House, OH 43160.

FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	206,803
Cash and cash equivalents - restricted		8,772
Receivables - net of allowance		5,317

TOTAL CURRENT ASSETS 220,892

CAPITAL ASSETS

Land		205,374
Other capital assets - net		460,581

TOTAL CAPITAL ASSETS, NET		<u>665,955</u>
TOTAL ASSETS		<u>886,847</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		40,100
Unearned Revenue		1,196
Tenant security deposits		2,794
Bonds, notes, and loans payable - current		47,716

TOTAL CURRENT LIABILITIES 91,806

NONCURRENT LIABILITIES

Bonds, notes, and loans payable		506,128
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TOTAL LIABILITIES 597,934

NET POSITION

Net investment in capital assets		112,111
Restricted		8,772
Unrestricted		168,030

TOTAL NET POSITION	\$	<u><u>288,913</u></u>
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See accompanying notes to the basic financial statements

FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES		
Tenant revenue	\$	121,346
HUD operating grants		1,762,353
Other operating revenues		<u>81,137</u>
TOTAL OPERATING REVENUES		1,964,836
OPERATING EXPENSES		
Administrative		229,472
Maintenance		41,887
Insurance		3,251
Housing assistance payments		1,609,611
Depreciation		<u>32,186</u>
TOTAL OPERATING EXPENSES		<u>1,916,407</u>
OPERATING PROFIT		48,429
NON-OPERATING REVENUE		
Interest income		398
Interest expense		<u>(19,231)</u>
TOTAL NON-OPERATING REVENUE		<u>(18,833)</u>
CHANGE IN NET POSITION		29,596
NET POSITION BEGINNING OF YEAR		<u>259,317</u>
NET POSITION END OF YEAR	\$	<u><u>288,913</u></u>

See accompanying notes to the basic financial statements

FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants and other sources	\$ 202,483
Cash received from operating grants	1,596,718
Cash payments for housing assistance payments	(1,609,612)
Cash payments for other operating expenses	<u>(271,518)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(81,929)
 CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Principal payments on debt	(29,477)
Acquisition of capital assets	(11,714)
Interest expense	<u>(19,231)</u>
NET CASH (USED) BY CAPITAL AND FINANCING ACTIVITIES	(60,422)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>398</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(141,953)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>357,528</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 215,575</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 48,429
Adjustments to reconcile operating income to net cash (used) by operating activities	
Depreciation	32,186
Forgiveness of debt	(19,232)
(Increase) decrease in:	
Accounts receivable	(857)
Increase (decrease) in:	
Accounts payable	2,255
Accounts payable - HUD	19,729
Unearned revenue	1,196
Deferred inflow of resources	<u>(165,635)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (81,929)</u></u>

See accompanying notes to the basic financial statements

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Fayette 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 generally 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. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, 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 of the Authority over which the Authority is financially accountable.

Measurement Focus and Basis of Accounting

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

Pursuit to GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the Authority follows GASB guidance as applicable to enterprise funds.

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting - continued

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

The accompanying financial statements have been prepared on a accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for as propriety fund type in a single enterprise fund.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, propriety and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Description of Programs

The Authority uses a single enterprise fund to maintain its financial records on the accrual basis. The following are the various programs which are included in the enterprise fund:

Housing Choice Voucher Program (HCV) – Under the Housing Choice Voucher Program, the Authority subsidizes tents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Authority subsidizes the balance.

Section 8 New Construction Program- Provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for very low-income families at rents they can afford. Housing Assistance Payments are used to make up the difference between that approved rent due to the owner for the dwelling unit and the occupant family's required contribution towards rent. Assisted families must pay the highest of 30% of their monthly adjusted income, 10% of gross family income, or the portion of welfare assistance designated for housing toward rent.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Business Activities- Represents non-HUD resources and derived from a variety of other activities mainly the Developmental Disabilities rentals.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Investments

Restricted cash and investments represents amounts received for restricted Section 8 HAP monies and family self-sufficiency savings.

Certain assets may be classified as restricted assets on the statement of net position, because their use is restricted by contracts or agreements with outside third parties and lending institutions, or laws and regulations of other governments. It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Accounts Receivable-Net

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$1,811 at December 31, 2017.

Due From/To Other Programs

There was no Inter-program receivables and payables as of December 31, 2017 on the Financial Data Schedule.

Accounting and Reporting for Non-Exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Non-exchange 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 capitalized capital assets acquired after December 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Statement of Revenues, 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. Donated capital assets are recorded at fair market value on the date of receipt. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the assets life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

Building-residential	27.5 years	Furniture	7 years
Building-non-residential	40 years	Equipment-dwelling	5 years
Building improvements	15 years	Equipment-non-dwelling	7 years
Land improvements	15 years	Vehicles	5 years
Leasehold improvements	15 years	Computer Software & hardware	3 years

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgetary Accounting

The Authority annual prepares its budget as prescribed by HUD. This budget is submitted to HUD and once approved, is adopted by the Board of the Housing Authority.

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, constructions or improvements 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.

2. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

For fiscal year-end December 31, 2017, the carrying amount of the Authority’s deposits was \$215,575 and its bank balances were \$215,575. Based on the criteria described in GASB Statement No.40, *Deposits and Investment Risk Disclosure*, as of December 31, 2017, deposits totaling \$250,000 were covered by Federal Depository Insurance, and the Authority had no deposits not insured or collateralized.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the Federal Reserve System, in the name of the respective depository banks held at the Federal Reserve Bank in the name of the Authority.

3. RESTRICTED CASH

The restricted cash balance of \$8,772 at December 31, 2017 represents the following:

Excess HAP cash	\$5,978
Tenant security deposits	<u>2,794</u>
TOTAL RESTRICTED CASH	<u>\$8,772</u>

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. CAPITAL ASSETS

The following is a summary of capital assets at December 31, 2017:

	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/17</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 205,374	\$ -	\$ -	\$205,374
<u>Capital Assets Being Depreciated</u>				
Buildings	784,570	-	-	784,570
Furniture, Machinery, & Equipment- Dwelling	22,376	-	-	22,376
Furniture, Machinery, & Equipment- Administrative	114,804	-	-	114,804
Leasehold Improvements	<u>69,359</u>	<u>11,714</u>	<u>-</u>	<u>81,073</u>
Subtotal Capital Assets Being Depreciated	991,109	11,714	-	1,002,823
<u>Accumulated Depreciation</u>				
Buildings	(347,102)	(26,154)	-	(373,256)
Furniture, Machinery, & Equipment- Dwelling	(22,375)	(-)	-	(22,375)
Furniture, Machinery, & Equipment- Administrative	(113,520)	(915)	-	(114,435)
Leasehold Improvements	<u>(27,059)</u>	<u>(5,117)</u>	<u>-</u>	<u>(32,176)</u>
TOTAL Accumulated Depreciation	<u>(510,056)</u>	<u>(32,186)</u>	<u>-</u>	<u>(542,242)</u>
Capital Assets Being Depreciated, net	<u>481,053</u>	<u>(20,472)</u>	<u>-</u>	<u>460,581</u>
TOTAL Capital Assets, net	<u>\$ 686,427</u>	<u>\$ (20,472)</u>	<u>\$ -</u>	<u>\$ 665,955</u>

5. CONTRACT SERVICES

The Authority contracts with:

-Fayette County Commissioners to obtain financial services for the Authority. The Authority does not have any employees; instead, services are subcontracted from Fayette County.

-Highland Metropolitan Housing Authority to provide management and financial reporting services. Compensation shall be based on the amount allowed by HUD for performing these services.

-Fayette County Board of Developmental Disabilities (DD) to provide a rent subsidy program for persons with developmental disabilities. To provide these services, the Authority acquired residential houses on behalf of the DD. The DD will maintain a legal interest in the property acquired with community assistance funds and will compensate the Authority expenses when vacancies occur in the properties.

6. ECONOMIC DEPENDENCY

The Authority is economically dependent of receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

7. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three Fiscal years.

8. LONG-TERM DEBT

The Authority has an obligation with the Ohio Department of Developmental Disabilities (DODD) for which the Authority received a grant with the condition that the grant funds are used to acquire several properties.

The properties are then to be rented to DODD clients for the next 15 years. As long as the Authority complies with this restriction, the grant funds are forgiven for each year that has expired.

June 2016 all the mortgages held at Merchants National Bank were refinanced to decrease the interest rates. As of December 31, 2017, the Authority's long-term debt is as follows:

	<u>Bank Loan</u>	<u>DODD</u>	<u>Total</u>
Mortgage payable for property at 842 Lincoln Dr. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$485.89 are due monthly	53,794	-	53,794
Mortgage payable for property at 364 Carolyn Rd. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for a fixed rate of 3.80% for 30 years due on 9/11/31. Payments of principal and interest of \$396.56 are due monthly.	50,749	-	50,749
Mortgage payable for property at 834 Lincoln Dr. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for a fixed rate of 3.80% for 30 years due on 9/11/31. Payments of principal and interest of \$396.56 are due monthly.	50,749	-	50,749
Mortgage payable for property at 1103 Golfview Dr. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$564.16 are due monthly.	62,459	1,733	64,192
Mortgage payable for property at 594 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$523.20 are due monthly.	57,924	1,539	59,463

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. LONG-TERM DEBT - CONTINUED

Mortgage payable for property at 1029 S. Fayette St. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$552.85 are due monthly

61,220 - 61,220

Mortgage payable for property at 388 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$336.13 are due monthly

37,221 13,531 50,752

Mortgage payable for property at 1412 Lindberg Ave. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 25 years due on 3/28/33. Payments of principal and interest of \$245.60 are due monthly

33,955 27,475 61,430

Mortgage payable for property at 1254 Dayton Ave. NW in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 7/8/30. Payments of principal and interest of \$624.08 are due monthly

74,590 26,905 101,495

	Total Outstanding Debt	\$482,661	\$71,183	\$553,844
	Less: Current Portion	<u>31,734</u>	<u>15,982</u>	<u>47,716</u>
	Total Long-Term Debt	<u>\$450,927</u>	<u>\$55,201</u>	<u>\$506,128</u>

The following is a summary of changes in long-term debt for the year ended December 31, 2017:

<u>Description</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Issued</u>	<u>Sale of</u> <u>Property</u>	<u>Principal</u> <u>Retirement</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Current</u> <u>Portion</u>
Loan Payable - Bank	\$512,930	\$ -	\$ -	\$(30,269)	\$482,661	\$31,734
DODD Grant						
Funds expired	<u>89,621</u>	<u>-</u>	<u>-</u>	<u>(18,439)</u>	<u>71,183</u>	<u>15,982</u>
TOTAL	<u>\$602,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(48,708)</u>	<u>\$553,844</u>	<u>\$47,716</u>

Maturities for the debt over the next five years are as follows:

	Mortgage	DODD	TOTAL
2018	\$ 31,734	\$ 15,982	\$ 47,716
2019	32,961	12,711	45,672
2020	34,236	12,712	46,948
2021	35,559	10,401	45,960
2022	36,935	8,751	45,686
2023-2027	207,233	10,513	217,746
2028-2032	103,427	113	103,540
2033-2037	576	0	576
TOTAL	\$482,661	\$71,183	\$553,844

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

9. CONTINGENCIES

- A. The Authority has received several Federal and state grants for specific purposes which are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2017.

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

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2018, the date the financial statements were available to be issued. Any events after that date have not been evaluated.

FAYETTE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017

	14.871 Housing Choice Vouchers	14.182 N/C/SR Section 8 Programs	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	Total
111 Cash - Unrestricted	\$88,012	\$6,680	\$6,667	\$21,234	\$84,210	\$206,803
113 Cash - Other Restricted	\$407		\$5,571			\$5,978
114 Cash - Tenant Security Deposits					\$2,794	\$2,794
100 Total Cash	\$88,419	\$6,680	\$12,238	\$21,234	\$87,004	\$215,575
122 Accounts Receivable - HUD Other Projects		\$5,317				\$5,317
128 Fraud Recovery	\$1,811					\$1,811
128.1 Allowance for Doubtful Accounts - Fraud	(1,811)					(1,811)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$5,317	\$0	\$0	\$0	\$5,317
150 Total Current Assets	\$88,419	\$11,997	\$12,238	\$21,234	\$87,004	\$220,892
161 Land					\$205,374	\$205,374
162 Buildings					\$784,570	\$784,570
163 Furniture, Equipment & Machinery - Dwellings					\$22,376	\$22,376
164 Furniture, Equipment & Machinery - Administration	\$97,478				\$17,326	\$114,804
165 Leasehold Improvements					\$81,073	\$81,073
166 Accumulated Depreciation	(97,478)				(444,764)	(542,242)
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$665,955	\$665,955
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$665,955	\$665,955
290 Total Assets and Deferred Outflow of Resources	\$88,419	\$11,997	\$12,238	\$21,234	\$752,959	\$886,847
312 Accounts Payable <= 90 Days	\$18,607				\$747	\$19,354
331 Accounts Payable - HUD PHA Programs				\$20,746		\$20,746
341 Tenant Security Deposits					\$2,794	\$2,794
342 Unearned Revenue	\$1,145		\$51			\$1,196
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$47,716	\$47,716
310 Total Current Liabilities	\$19,752	\$0	\$51	\$20,746	\$51,257	\$91,806
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$506,128	\$506,128
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$506,125	\$506,125
300 Total Liabilities	\$19,752	\$0	\$51	\$20,746	\$557,385	\$897,934
508.4 Net Investment in Capital Assets	\$0	\$0	\$0	\$0	\$112,111	\$112,111
511.4 Restricted Net Position	\$407	\$0	\$5,571	\$0	\$2,794	\$8,772
512.4 Unrestricted Net Position	\$68,260	\$11,997	\$6,616	\$488	\$80,669	\$168,030
513 Total Equity - Net Assets / Position	\$68,667	\$11,997	\$12,187	\$488	\$195,574	\$288,913
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$88,419	\$11,997	\$12,238	\$21,234	\$752,959	\$886,847

See Independent Auditor's Report

**FAYETTE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
DECEMBER 31, 2017**

	14.871 Housing Choice Vouchers	14.182 NC S/R Section 8 Programs	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	Total
70300 Net Tenant Rental Revenue					\$121,346	\$121,346
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$121,346	\$121,346
70600 HUD PHA Operating Grants	\$1,311,076	\$80,867	\$323,789	\$46,621		\$1,762,353
71100 Investment Income - Unrestricted	\$331	\$13			\$42	\$386
71400 Fraud Recovery	\$5,641					\$5,641
71500 Other Revenue	\$13,857				\$61,639	\$75,496
72000 Investment Income - Restricted		\$12				\$12
70000 Total Revenue	\$1,330,905	\$80,892	\$323,789	\$46,621	\$183,027	\$1,965,234
91200 Auditing Fees	\$3,205	\$223	\$946	\$104		\$4,478
91300 Management Fee	\$81,587	\$7,164	\$24,483	\$2,689	\$51,442	\$167,365
91600 Office Expenses	\$28,312	\$2,486	\$8,496	\$933	\$5,034	\$45,261
91800 Travel	\$2,741	\$241	\$822	\$90		\$3,894
91900 Other	\$5,964	\$523	\$1,790	\$197		\$8,474
91000 Total Operating - Administrative	\$121,809	\$10,637	\$36,537	\$4,013	\$56,476	\$229,472
94200 Ordinary Maintenance and Operations - Materials and Other	\$3,201	\$281	\$961	\$106	\$4,576	\$9,125
94300 Ordinary Maintenance and Operations Contracts					\$32,762	\$32,762
94500 Employee Benefit Contributions - Ordinary Maintenance						
94000 Total Maintenance	\$3,201	\$281	\$961	\$106	\$37,338	\$41,887
96110 Property Insurance					\$1,216	\$1,216
96120 Liability Insurance	\$1,432	\$126	\$430			\$1,988
96130 Workmen's Compensation				\$47		\$47
96140 All Other Insurance						
96100 Total insurance Premiums	\$1,432	\$126	\$430	\$47	\$1,216	\$3,251
96710 Interest of Mortgage (or Bonds) Payable					\$19,231	\$19,231
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$19,231	\$19,231
96900 Total Operating Expenses	\$126,442	\$11,044	\$37,928	\$4,166	\$114,261	\$293,841
97000 Excess of Operating Revenue over Operating Expenses	\$1,204,463	\$69,848	\$285,861	\$42,455	\$68,766	\$1,671,393
97300 Housing Assistance Payments	\$1,195,506	\$69,099	\$290,351	\$42,271		\$1,597,227
97350 HAP Portability-In	\$12,384					\$12,384
97400 Depreciation Expense	\$546				\$31,640	\$32,186
90000 Total Expenses	\$1,334,878	\$80,143	\$328,279	\$46,437	\$145,901	\$1,935,638
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(3,973)	749	(4,490)	\$184	\$37,126	\$29,596
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$72,640	\$11,248	\$16,677	\$304	\$158,448	\$259,317
11170 Administrative Fee Equity	\$68,260					\$68,260
11180 Housing Assistance Payments Equity	\$407					\$407
11190 Unit Months Available	3564	204	900	120	120	4908
11210 Number of Unit Months Leased	2999	203	900	120	120	4342

See Independent Auditor's Report

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing & Urban Development</u>			
<i>Direct Programs:</i>			
Supportive Housing for Persons with Disabilities	14.181	N/A	\$ 323,789
Section 8 Housing New Construction and Substantial Rehabilitation	14.182	N/A	80,867
Shelter Plus Care	14.238	N/A	46,621
Section 8 Housing Choice Vouchers	14.871	N/A	<u>1,311,076</u>
TOTAL DIRECT AWARDS			<u>\$ 1,762,353</u>
TOTAL U.S. Department of Housing & Urban Development			<u>\$ 1,762,353</u>
Total Federal Expenditures			<u>\$ 1,762,353</u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the Fayette Metropolitan Housing Authority under a program of the federal government for the year ended December 31, 2017. The information in this SEFA 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).

Expenditures reported on the SEFA 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* (Uniform Guidance), 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 minimus indirect cost rate as allowed under the Uniform Guidance.

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Jeanette R. Addington, MBA, CPA, CGFM ▪ Brian D. Long, CPA, PFS, CFF ▪ Keith A. Lewis, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Fayette Metropolitan Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which comprise the Fayette Metropolitan Housing Authority's basic financial statements, and have issued our report thereon dated May 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fayette Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fayette Metropolitan Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fayette Metropolitan Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fayette Metropolitan Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JC & Company
Lancaster, Ohio
May 31, 2018



Jeanette R. Addington, MBA, CPA, CGFM ▪ Brian D. Long, CPA, PFS, CFF ▪ Keith A. Lewis, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio**

**Regional Inspector General of Audit
Department of Housing and Urban
Development**

Report on Compliance for Each Major Federal Program

We have audited the Fayette Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Fayette Metropolitan Housing Authority's major federal program for the year ended December 31, 2017. The Fayette Metropolitan Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Fayette Metropolitan Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fayette Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Fayette Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the Fayette Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fayette Metropolitan Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fayette Metropolitan Housing 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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.

The purpose of this report on internal control over compliances is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



JC & Company
Lancaster, Ohio
May 31, 2018

**FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY**

**Summary of Auditor's Results and Schedule of Findings
2 CFR § 200.515
December 31, 2017**

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Program Compliance Opinion	Unmodified
Are there any reportable findings under § .510(a)?	No
Major Program:	CFDA # 14.871 Section 8 Housing Choice Vouchers
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
Low Risk Auditee under 2 CFR §200.520?	Yes

FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE COUNTY

Summary of Auditor's Results and Schedule of Findings
2 CFR § 200.515
December 31, 2017

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2017.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2017.



Dave Yost • Auditor of State

FAYETTE METROPOLITAN HOUSING AUTHORITY

FAYETTE 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
JULY 10, 2018**