

AUDITED BASIC FINANCIAL STATEMENTS
OF THE
KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
OCTOBER 1, 2012 - SEPTEMBER 30, 2013





Dave Yost • Auditor of State

Board of Commissioners
Knox Metropolitan Housing Authority
201A West High Street
Mount Vernon, Ohio 43050

We have reviewed the *Independent Auditors' Report* of the Knox Metropolitan Housing Authority, Knox County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2012 through September 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 3, 2014

This page intentionally left blank.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION – PROPRIETARY FUND	11
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND	12
STATEMENT OF CASH FLOWS – PROPRIETARY FUND	13
NOTES TO THE BASIC FINANCIAL STATEMENTS	14
SUPPLEMENTAL DATA:	
ENTITY WIDE BALANCE SHEET SUMMARY – FDS SCHEDULE SUBMITTED TO HUD	24
ENTITY WIDE REVENUE AND EXPENSE SUMMARY – FDS SCHEDULE SUBMITTED TO HUD	25
STATEMENT OF CHANGES IN EQUITY BALANCES – FDS SCHEDULE SUBMITTED TO HUD	26
FEDERAL AWARDS EXPENDITURES SCHEDULE AND NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE	27
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	28
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	30
SCHEDULE OF FINDINGS - <i>OMB CIRCULAR A-133 § .505</i>	32



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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Wilson, Shannon & Snow, Inc.

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

Knox Metropolitan Housing Authority
Board of Trustees
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, Ohio, as of September 30, 2013, and the changes in financial position and 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*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

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

Knox Metropolitan Housing Authority
Board of Trustees
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, 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 13, 2014

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Knox Metropolitan Housing Authority, Knox County, (the “Authority”) Management’s Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position, and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- During fiscal year 2013, the Authority’s net position decreased by \$50,641 (or 9.25%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position for fiscal year 2012 was \$547,314 and \$496,673 for fiscal year 2013.
- Revenues decreased by \$10,814 (or less than 1%) during fiscal year 2013, and were \$3,340,632 and \$3,329,818 for fiscal year 2012 and fiscal year 2013, respectively.
- Expenses of the Authority increased by \$26,184 (or less than 1%) for fiscal year 2013. Total expenses were \$3,354,275 and \$3,380,459 for fiscal year 2012 and fiscal year 2013, respectively.

USING THIS ANNUAL REPORT

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

<p>MD&A ~ Management Discussion and Analysis – pgs 4-10 ~</p>
--

<p>Basic Financial Statements ~ Basic Financial Statements – pgs 11-13 ~ ~ Notes to the Basic Financial Statements – pgs 14-23 ~</p>

<p>Other Required Supplementary Information ~ Required Supplementary Information - none~</p>

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(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 (year-to-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, 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" 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, and contributed capital.

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, 2013
(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.

Shelter Plus Care Program – The Shelter Plus Care 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.

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.

Statement of Net Position

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

STATEMENT OF NET POSITION

	<u>2013</u>	<u>2012</u>
Current and Other Noncurrent Assets	\$420,846	\$606,478
Capital Assets	<u>366,177</u>	<u>21,715</u>
Total Assets	<u>787,023</u>	<u>628,193</u>
Current Liabilities	54,266	33,234
Non-Current Liabilities	<u>236,084</u>	<u>47,645</u>
Total Liabilities	<u>290,350</u>	<u>80,879</u>
Net Position		
Net Investment in Capital Assets	146,752	21,715
Restricted	192,145	216,693
Unrestricted	<u>157,776</u>	<u>308,906</u>
Total Net Position	\$ <u>496,673</u>	\$ <u>547,314</u>

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

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)**

Major Factors Affecting the Statement of Net Position

Current and other non-current assets (primarily cash and cash equivalents) were decreased by \$185,632 which is a result from the use of cash for a down payment on the purchase of the Authority's administration building along with decreases in revenues so that the use of reserve funds were necessary to cover the reduction of revenues while maintaining a consistent level of expenditures during fiscal year 2013. Total liabilities increased \$209,471 due primarily to the Authority entering into a mortgage note for the purchase of the Authority's administration building during fiscal year 2013.

Capital assets had a net increase of \$344,462 which represents net effect of the current fiscal year's additions over depreciation. For more detail see "Capital Assets and Debt Administration" on page 9.

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

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position September 30, 2012		\$ 308,906
Results of Operations:	\$(36,980)	
Adjustments:		
Depreciation (1)	<u>20,700</u>	
Adjusted Results from Operations		(16,280)
Capital Outlay		(129,275)
Retirement of Debt		<u>(5,575)</u>
Unrestricted Net Position September 30, 2013		\$ <u>157,776</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, 2012		\$ 216,693
Results of Operations:		
HAP Reserves Used	\$(30,566)	
Fraud Recovery Payments	1,275	
Other	<u>4,743</u>	
Adjusted Results from Operations		<u>(24,548)</u>
Restricted Net Position September 30, 2013		\$ <u>192,145</u>

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(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>2013</u>	<u>2012</u>
Revenues		
Operating Grants	\$ 3,203,782	\$ 3,217,530
Interest	160	291
Other Revenues	114,990	122,811
Capital Contributions	<u>10,886</u>	<u>-</u>
Total Revenue	<u>3,329,818</u>	<u>3,340,632</u>
Expenses		
Administrative	459,184	468,848
Maintenance	30,620	10,942
General	7,632	9,803
Housing Assistance Payments	2,852,118	2,851,122
Interest	10,205	-
Depreciation	<u>20,700</u>	<u>13,560</u>
Total Expenses	<u>3,380,459</u>	<u>3,354,275</u>
Change in Net Position	(50,641)	(13,643)
Net Position at October 1	<u>547,314</u>	<u>560,957</u>
Net Position at September 30	\$ <u>496,673</u>	\$ <u>547,314</u>

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

Operating Grants decreased by \$13,748 due to HUD funding changes. Housing Assistance Payments remained fairly consistent between fiscal year increasing only by \$996 during fiscal year 2013. There was little fluctuation in units months leased between fiscal year 2013 and fiscal year 2012.

Changes in personnel contributed to the decrease in the Administrative expenses category in fiscal year 2013. Administrative expenses include salaries and related benefits, along with other administrative expenses such as audit fees and office expenses.

The Authority entered into a mortgage note during 2013 which resulted in interest expense be paid in fiscal year 2013.

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, 2013
(UNAUDITED)**

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2013, the Authority had \$366,177 invested in Capital Assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation).

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

	Business-type Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 25,250	\$ -
Building	324,920	-
Furniture, Fixtures, and Equipment	63,131	87,359
Leasehold Improvements	8,596	-
Accumulated Depreciation	<u>(55,720)</u>	<u>(65,644)</u>
Total	\$ <u>366,177</u>	\$ <u>21,715</u>

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

CHANGE IN CAPITAL ASSETS

	Business-type Activities
Beginning Balance	\$ 21,715
Additions	365,162
Depreciation	<u>(20,700)</u>
Ending Balance	\$ <u>366,177</u>

Additions of capital assets for fiscal year 2013 included the purchase of the Authority's administration building, computers, and renovations of office space. The Authority disposed of a computers, printers, and office furniture during fiscal year 2013. The original cost of these assets was \$30,624; the assets were fully depreciated at time of disposal.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(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, 2013, the Authority had \$219,425 in debt (mortgage loan) outstanding as compared to \$0 at September 30, 2012. The decrease of \$5,575 represents the current fiscal year debt repayment. For further information related to fiscal year 2013 debt activity, see Note 9.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 167,527
Accounts Receivable, net	29,331
Prepaid Items	<u>8,186</u>
Total Current Assets	<u>205,044</u>

Non-Current Assets:

Restricted Cash and Cash Equivalents	215,802
Capital Assets:	
Nondepreciable Capital Assets	25,250
Depreciable Capital Assets	396,647
Accumulated Depreciation	<u>(55,720)</u>
Total Capital Assets	<u>366,177</u>
Total Non-Current Assets	<u>581,979</u>

Total Assets 787,023

Liabilities

Current Liabilities:

Accounts Payable	8,920
Accrued Wages and Payroll Taxes	23,442
Accrued Compensated Absences	14,906
Current Portion of Mortgage Note	<u>6,998</u>
Total Current Liabilities	<u>54,266</u>

Non-Current Liabilities:

Family Self-Sufficiency Deposits Payable	23,657
Mortgage Note	<u>212,427</u>
Total Non-Current Liabilities	<u>236,084</u>

Total Liabilities 290,350

Net Position

Net Investment in Capital Assets	146,752
Restricted	192,145
Unrestricted	<u>157,776</u>

Total Net Position \$ 496,673

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, 2013**

Operating Revenues		
Operating Grants	\$	3,203,782
Fraud Recovery		2,549
Other Revenues		<u>112,441</u>
Total Operating Revenues		<u><u>3,318,772</u></u>
Operating Expenses		
Housing Assistance Payments	\$	2,852,118
Salaries		324,879
Employee Benefits		68,388
Other Administrative Expense		65,917
Material and Operations		30,620
General		7,632
Depreciation		<u>20,700</u>
Total Operating Expenses		<u><u>3,370,254</u></u>
Operating Loss		<u>(51,482)</u>
Nonoperating Revenues (Expenses)		
Interest Revenue		160
Capital Contributions		10,886
Interest Expense		<u>(10,205)</u>
Total Nonoperating Revenues (Expenses)		<u><u>841</u></u>
Change in Net Position		(50,641)
Net Position at October 1, 2012		<u>547,314</u>
Net Position at September 30, 2013	\$	<u><u>496,673</u></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, 2013**

Cash flows from operating activities:

Cash received from HUD	\$ 3,194,826
Cash received from other sources	114,990
Cash payments to employees for services	(390,882)
Cash payments for good or services - HUD	(2,852,118)
Cash payments for goods or services	<u>(133,893)</u>

Net cash used by operating activities (67,077)

Cash flows from investing activities:

Interest	<u>160</u>
----------	------------

Net cash provided by investing activities 160

Cash flows from capital and related financing activities:

Proceeds from mortgage note	225,000
Principal paid on mortgage note	(5,575)
Interest paid on mortgage note	(10,205)
Purchase of capital assets	<u>(354,275)</u>

Net cash used in capital and related financing activities (145,055)

Net change in cash and cash equivalents (211,972)

Cash and cash equivalents at October 1, 2012 595,301

Cash and cash equivalents at September 30, 2013 **\$ 383,329**

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (51,482)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	20,700
Changes in assets and liabilities:	
Accounts receivable, net	(25,487)
Prepaid items	(853)
Accounts payable	2,613
Accrued wages and payroll taxes	(2,385)
Other liabilities	<u>(10,183)</u>

Net cash used by operating activities **\$ (67,077)**

Schedule of Noncash Investing, Capital, and Financing Activities:

During fiscal year 2013, the Authority received \$10,886 in donated assets.

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, 2013**

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, 2013**

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 2013, 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 and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in 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, 2013**

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 \$500. The following are the useful lives used for depreciation purposes:

<u>Description</u>	<u>Estimated Useful Lives - Years</u>
Equipment	3 - 7
Buildings & Improvements	15 - 40

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 and liabilities 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.

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are reported as prepaid items via the consumption method.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

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

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 are 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. 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 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.

Net Position

Net position represents the difference between assets and liabilities. 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, 2013.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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 \$23,657 and Housing Assistance Payment equity balance of \$192,145. See Note 5 for additional information concerning Family Self-Sufficiency restricted assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

2. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the Authority implemented Government Accounting Standard Board (GASB) *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities,"* and *Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62."*

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Authority's financial statements.

GASB Statement No. 63 provides for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. The changes were incorporated in the Authority's fiscal year 2013 financial statements, however, there was no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of this statement did not result in any change in the Authority's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Authority's financial statements.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

Cash and cash equivalents included in the Authority's cash position at September 30, 2013 are as follows:

	<u>Checking</u>	<u>Savings</u>	<u>Total</u>
Demand Deposits:			
Bank balance	\$178,886	\$204,854	\$383,740
Items-in-transit	<u>(511)</u>	<u>-</u>	<u>(511)</u>
Carrying balance	<u>\$178,375</u>	<u>\$204,854</u>	<u>\$383,229</u>

Of the fiscal year-end bank balance, \$250,000 of deposits of the total checking and saving account balances were covered by federal deposit insurance and the remaining balance of \$133,740 was covered by pledged and pooled securities held by third-party trustees maintaining collateral for all public funds on deposit. \$100 was maintained in petty cash funds.

Based on the Authority having only demand deposits at September 30, 2013, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

This space intentionally left blank.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

4. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2013:

	Balance 9/30/2012	Increase	Decrease	Balance 9/30/2013
Capital Assets Not Depreciated				
Land	\$ -	\$ 25,250	\$ -	\$ 25,250
Capital Assets Depreciated				
Building	-	324,920	-	324,920
Equipment	87,359	6,396	(30,624)	63,131
Leasehold Improvement	-	8,596	-	8,596
Total Capital Assets Depreciated	<u>87,359</u>	<u>339,912</u>	<u>(30,624)</u>	<u>396,647</u>
Accumulated Depreciation				
Building	-	(9,846)	-	(9,846)
Equipment	(65,644)	(10,663)	30,624	(45,683)
Leasehold Improvement	-	(191)	-	(191)
Total Accumulated Depreciation	<u>(65,644)</u>	<u>(20,700)</u>	<u>30,624</u>	<u>(55,720)</u>
Total Capital Assets Depreciated, Net	<u>21,715</u>	<u>319,212</u>	<u>-</u>	<u>340,927</u>
Total Capital Assets, Net	<u><u>\$ 21,715</u></u>	<u><u>\$ 344,462</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 366,177</u></u>

5. FSS ESCROW PAYABLE

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

6. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2013, 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 years. There has been no significant reduction in coverage from last fiscal year.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

7. DEFINED BENEFIT PENSION PLANS

Plan Description – All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-retirement health care coverage. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Authority and covered employees contribute at actuarially determined rates for fiscal year 2013, 14% and 10%, respectively, of covered employee payroll to OPERS. The Authority's contributions to OPERS for the years ended September 30, 2013, 2012, and 2011 were \$43,268, \$42,569, and \$40,473, respectively. Required contributions are equal to 100% of the dollar amount billed. The employee's contribution to OPERS for September 30, 2013, 2012, and 2011 were \$31,263, \$30,406, and \$28,909, respectively. Required contributions are equal to 100% of the charges.

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
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

7. 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 was 4.0% during calendar year 2012 (latest information available). The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered 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 for fiscal year 2013 were approximately \$12,362.

The Health Care Preservation Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the health care plan. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions towards the health care fund after the end of the transition period.

8. COMPENSATED ABSENCES

Employees earn annual vacation and sick leave per anniversary year, based on years of service. Annual vacation leave is to be used in the year of service earned; three weeks of vacation hours earned and unused may be carried over to the next fiscal year. Vacation leave may be accumulated and is paid out based on Board policy upon termination or retirement. As of September 30, 2013, the accrual for compensated absences totaled \$14,906 and has been included in the accompanying Statement of Net Position. The Authority considers the entire liability balance to be due in one year.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2013:

<u>Description</u>	<u>Balance</u> <u>09/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/13</u>	<u>Due Within</u> <u>One Year</u>
Mortgage Note Payable	\$ -	\$ 225,000	\$(5,575)	\$219,425	\$6,998
Compensated Absence Payable	<u>17,277</u>	<u>1,100</u>	<u>(3,471)</u>	<u>14,906</u>	<u>14,906</u>
Total	<u>\$17,277</u>	<u>\$226,100</u>	<u>\$(9,046)</u>	<u>\$234,331</u>	<u>\$21,904</u>

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. At September 30, 2013, the Authority had an outstanding mortgage note payable of \$219,425.

The aggregate amounts of long-term debt maturities for the remaining fiscal years following fiscal year 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 6,998	\$ 10,852	\$ 17,850
2015	7,357	10,493	17,850
2016	7,707	10,143	17,850
2017	8,131	9,719	17,850
2018	8,549	9,301	17,850
2019-2023	<u>180,683</u>	<u>33,798</u>	<u>214,481</u>
Total	<u>\$ 219,425</u>	<u>\$ 84,306</u>	<u>\$ 303,731</u>

10. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2013.

B. Litigation

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

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**ENTITY WIDE BALANCE SHEET SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2013**

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	Business Activities	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	\$ 9,120	\$ 158,407	\$ 167,527
113	Cash - Other Restricted	215,802	-	215,802
100	Total Cash	<u>224,922</u>	<u>158,407</u>	<u>383,329</u>
	Accounts Receivable			
125	Miscellaneous	29,331	-	29,331
128	Fraud Recovery	5,548	-	5,548
128.1	Allowance for Doubtful Accounts	(5,548)	-	(5,548)
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>29,331</u>	<u>-</u>	<u>29,331</u>
	Other Assets			
142	Prepaid Items	8,186	-	8,186
150	Total Current Assets	<u>262,439</u>	<u>158,407</u>	<u>420,846</u>
	Noncurrent Assets			
	Capital Assets			
161	Land	16,412	8,838	25,250
162	Buildings	211,198	113,722	324,920
164	Furniture and Equipment - Administration	63,130	-	63,130
165	Leasehold Improvements	8,596	-	8,596
166	Accumulated Depreciation	(52,273)	(3,446)	(55,719)
160	Total Capital Assets net of accumulated depreciation	<u>247,063</u>	<u>119,114</u>	<u>366,177</u>
180	Total Noncurrent Assets	<u>247,063</u>	<u>119,114</u>	<u>366,177</u>
190	Total Assets	<u>\$ 509,502</u>	<u>\$ 277,521</u>	<u>\$ 787,023</u>
	Current Liabilities			
312	Accounts Payable	\$ 8,920	\$ -	\$ 8,920
321	Accrued Wages and Payroll Taxes	23,442	-	23,442
322	Accrued Compensated Absences - Current	14,906	-	14,906
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage	6,998	-	6,998
310	Total Current Liabilities	<u>54,266</u>	<u>-</u>	<u>54,266</u>
	Non-Current Liabilities			
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage	212,427	-	212,427
353	Non-Current Liabilities - Other	23,657	-	23,657
350	Total Non-Current Liabilities	<u>236,084</u>	<u>-</u>	<u>236,084</u>
300	Total Liabilities	<u>290,350</u>	<u>-</u>	<u>290,350</u>
	Net Assets			
508.1	Invested in Capital Assets	27,638	119,114	146,752
511.1	Restricted Net Assets	192,145	-	192,145
512.1	Unrestricted Net Assets	(631)	158,407	157,776
	Total Net Assets	<u>219,152</u>	<u>277,521</u>	<u>496,673</u>
600	Total Liabilities and Net Assets	<u>\$ 509,502</u>	<u>\$ 277,521</u>	<u>\$ 787,023</u>

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

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.238 Shelter Plus Care	Business Activites	Total
	Revenue				
70600	HUD PHA Operating Grants	\$ 2,988,512	\$ 215,270	\$ -	\$ 3,203,782
71100	Investment Income - Unrestricted	-	-	160	160
71400-010	Housing Assistance Payments	1,275	-	-	1,275
71400-020	Administrative Fees	1,274	-	-	1,274
71400	Fraud Recovery	2,549	-	-	2,549
71500	Other Revenue	4,743	-	107,698	112,441
70000	Total Revenue	2,995,804	215,270	107,858	3,318,932
	Expenses				
91100	Administrative Salaries	242,346	17,557	64,976	324,879
91200	Auditing Fees	4,023	157	1,045	5,225
91500	Employee Benefit Contribution - Administrative	50,804	3,401	14,183	68,388
91600	Office Expenses	43,739	2,344	14,024	60,107
91800	Travel	468	-	117	585
91000	Total Operating - Administrative	341,380	23,459	94,345	459,184
94200	Ordinary Maintenance and Operations - Materials and Other	30,620	-	-	30,620
94000	Total Maintenance and Operations	30,620	-	-	30,620
96120	Liability Insurance	3,130	206	3,536	6,872
96130	Workmen's Compensation	547	23	190	760
96100	Total Insurance Premiums	3,677	229	3,726	7,632
96710	Interest of Mortgage (or Bonds) Payable	10,205	-	-	10,205
96700	Total Interest Expense and Amortization Cost	10,205	-	-	10,205
96900	Total Operating Expenses	385,882	23,688	98,071	507,641
97000	Excess Operating Revenue Over Operating Expenses	2,609,922	191,582	9,787	2,811,291
	Other Expenses				
97300	Housing Assistance Payments	2,659,962	191,582	-	2,851,544
97350	HAP - Portability-In	574	-	-	574
97400	Depreciation Expense	17,254	-	3,446	20,700
	Total Other Expenses	2,677,790	191,582	3,446	2,872,818
90000	Total Expenses	3,063,672	215,270	101,517	3,380,459
	Other Financing Sources				
10080	Special Items (Net Gain/Loss)	8,556	-	2,330	10,886
10100	Total Other Financing Sources	8,556	-	2,330	10,886
10000	Excess of Revenues under Expenses	(59,312)	-	8,671	(50,641)
11030	Beginning Net Assets	278,464	-	268,850	547,314
11170	Administrative Fee Equity	27,007	-	-	27,007
11180	Housing Assistance Payment Equity	192,145	-	-	192,145
	Total Ending Net Assets	\$ 219,152	\$ -	\$ 277,521	\$ 496,673

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**STATEMENT OF CHANGES IN EQUITY BALANCES
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	
11170-001	Administrative Fee Equity - Beginning Balance		\$ 61,771
11170-010	Administrative Fee Revenue	\$ 312,298	
11170-021	FSS Cordinator Grant	46,244	
11170-045	Fraud Recovery Revenue	1,274	
11170-050	Other Revenue	8,556	
11170-051	Represents amount reported as special items for recording of donated assets received through the acquisition of the administrative building and related property.		
11170-060	Total Administrative Fee Revenues		368,372
11170-080	Total Operating Expenses	385,882	
11170-090	Depreciation	17,254	
11170-110	Total Expenses		403,136
11170-002	Net Administrative Fee		(34,764)
11170-003	Administrative Fee Equity - Ending Balance		27,007
11170	Administrative Fee Equity		<u>\$ 27,007</u>
11180-001	Housing Assistance Payments Equity - Beginning Balance		\$ 216,693
11180-010	Housing Assistance Payment Revenues	2,629,970	
11180-015	Fraud Recovery Revenue	1,275	
11180-020	Other Revenue	4,743	
11180-021	Represents FSS forietures during the fiscal year.		
11180-030	Total Housing Assistance Payments Revenues		2,635,988
11180-080	Housing Assistance Payments	2,660,536	
11180-100	Total Housing Assistance Payments Expenses		2,660,536
11180-002	Net Housing Assistance Payments		(24,548)
11180-003	Housing Assistance Payments Equity - Ending Balance		192,145
11180	Housing Assistance Payments Equity		<u>\$ 192,145</u>

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

<u>Federal Grantor / Pass Through Grantor Program Title</u>	<u>Pass- Through Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Funding:</i>			
Shelter Plus Care	N/A	14.238	\$ 215,270
Section 8 Housing Choice Vouchers	N/A	14.871	<u>2,988,512</u>
Total Federal Award Expenditures			<u><u>\$ 3,203,782</u></u>

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE

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



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Knox Metropolitan Housing Authority, Knox County, (the Authority) as of and for the fiscal year ended September 30, 2013, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 13, 2014.

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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
February 13, 2014



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

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

To the Board of Trustees:

Report on Compliance for Its Major Federal Program

We have audited the Knox Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Knox Metropolitan Housing Authority's major federal program for the fiscal year ended September 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Wilson, Shannon & Snow, Inc.

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

Opinion on the Major Federal Program

In our opinion, the Knox Metropolitan Housing Authority, Knox County, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended September 30, 2013.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
February 13, 2014

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

This page intentionally left blank.



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
APRIL 17, 2014**