KNOX METROPOLITAN HOUSING AUTHORITY

KNOX COUNTY

SINGLE AUDIT

OCTOBER 1, 2017 – SEPTEMBER 30, 2018

WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE
KEITH FABER

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

We have reviewed the *Independent Auditor's Report* of the Knox Metropolitan Housing Authority, Knox County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2017 through September 30, 2018. 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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

April 9, 2019

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KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

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WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

10 West Locust Street | Newark, Ohio 43055 | Phone: 740-345-6611 | Fax: 740-345-5635 | wssinc.net

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Knox Metropolitan Housing Authority, Knox County as of September 30, 2018, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling information 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, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 29, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 29, 2019

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(UNAUDITED)

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- During fiscal year 2018, the Authority's net position decreased by $93,731. 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 2017 (as restated) was $27,750 and ($65,981) for fiscal year 2018.
- Revenues increased by $47,531 during fiscal year 2018, and were $3,451,540 and $3,499,071 for fiscal year 2017 and fiscal year 2018, respectively.
- Expenses increased by $96,608 during fiscal year 2018. Total expenses were $3,496,194 and $3,592,802 for fiscal year 2017 and fiscal year 2018, respectively.

USING THIS ANNUAL REPORT

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

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

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

Government-Wide Financial Statements

The Government-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets and deferred outflows of resources, minus liabilities and deferred inflows of resources, equal "Net Position". Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

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

Restricted: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

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

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

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

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

THE AUTHORITY'S FUND

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

Business-Type Activities:

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

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

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

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

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Statement of Net Position

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

STATEMENT OF NET POSITION

	2018	Restated 2017
Current and Other Noncurrent Assets	$234,126	$250,183
Capital Assets	344,717	349,740
Total Assets	578,843	599,923
Deferred Outflows of Resources	151,970	159,455
Current Liabilities	38,428	51,509
Non-Current Liabilities	665,763	668,817
Total Liabilities	704,191	720,326
Deferred Inflows of Resources	92,603	11,302
Net Position		
Net Investment in Capital Assets	182,249	171,996
Restricted	37,109	36,014
Unrestricted	(285,339)	(180,260)
Total Net Position	$ (65,981)	$ 27,750

For more detailed information see page 12 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current and other non-current assets (primarily cash and cash equivalents) decreased by $16,057 due to timing of receipts and payments around fiscal year end in addition to a decrease in net pension asset. Total liabilities decreased by $16,135 primarily due to a decrease in accounts payable and accrued wages and benefits which was offset by an increase in net pension liability, net OPEB liability, and family self-sufficiency deposits payable. The net pension asset, net pension liability, and net OPEB liability fluctuated based on information provided by the retirement system's year end reporting and the Authority's allocated proportion. The Authority implemented GASB 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting)* causing a prior period adjustment of ($178,262) to be reported.

Capital assets had a decrease of $5,023 which represents net effect of the current fiscal year's depreciation and disposals exceeding additions. For more detail see "Capital Assets and Debt Administration" on page 10.

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, 2017, Restated		$(180,260)
Results of Operations:	$(90,641)	
Adjustments:		
Depreciation (1)	23,362	
Adjusted Results from Operations		(67,279)
Capital Purchases (2)		(22,524)
Retirement of Debt (2)		(15,276)
Unrestricted Net Position September 30, 2018		$(285,339)

(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 and debt related to capital changes impact the component of Net Position named Net Investment of Capital Assets, and therefore must be deducted in this calculation.

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position September 30, 2017		$ 36,014
Results of Operations:		
HAP Reserves Used	$ (3,930)	
Other	5,025	
Adjusted Results from Operations		1,095
Restricted Net Position September 30, 2018		$ 37,109

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KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(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.

	2018	2017
Revenues		
Operating Grants	$ 3,371,840	$ 3,319,362
Interest	67	76
Other Revenues	127,164	128,002
Gain on Sale of Asset	-	4,100
Total Revenue	3,499,071	3,451,540
Expenses		
Administrative	541,833	500,670
Utilities and Maintenance	23,094	23,568
General and Insurance	8,202	18,196
Housing Assistance Payments	2,985,168	2,921,168
Interest	6,958	11,736
Loss on Disposal of Asset	4,185	-
Depreciation	23,362	20,856
Total Expenses	3,592,802	3,496,194
Change in Net Position	(93,731)	(44,654)
Net Position at October 1 - Restated	27,750	N/A
Net Position at September 30	$ (65,981)	$ 27,750

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available.

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

Operating Grants increased by $52,478 due to HUD funding changes and changes in grant programs awarded to the Authority during fiscal year 2018. In the same regard, Housing Assistance Payments increased $64,000 during fiscal year 2018 which is expected based on increased grant funding and little fluctuation in units months leased between fiscal year 2017 and fiscal year 2018.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the Authority had $344,717 invested in Capital Assets as reflected in the following schedule, which represents a net decrease (additions offset by disposals and depreciation).

CAPITAL ASSETS AT FISCAL YEAR END
(NET OF DEPRECIATION)

	Business-type Activities	
	2018	2017
Land	$ 25,250	$ 25,250
Building	324,920	324,920
Furniture, Fixtures, and Equipment	79,204	103,904
Leasehold Improvements	55,609	14,272
Accumulated Depreciation	(140,266)	(118,606)
Total	$ 344,717	$ 349,740

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	$ 349,740
Additions	22,524
Disposals, net	(4,185)
Depreciation	(23,362)
Ending Balance	$ 344,717

Additions of capital assets for fiscal year 2018 related to the purchase of two new HVAC units; as a result, the Authority disposed of the old HVAC units of capital assets in fiscal year 2018 which were partially depreciated. The Authority also transferred $18,813 in leasehold improvements from equipment for reporting purposes.

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, 2018, the Authority had $162,468 in debt (mortgage loan) outstanding as compared to $177,744 at September 30, 2017. The decrease of $15,276 represents the current fiscal year debt repayment. For further information related to fiscal year 2018 debt activity, see Note 10.

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 Edwin Tharp, Executive Director for the Knox Metropolitan Housing Authority, at (740) 397-8787. 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, 2018

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 124,282
Accounts Receivable, net	20,686
Total Current Assets	144,968
Non-Current Assets:	
Restricted Cash and Cash Equivalents	69,420
Capital Assets:	
Nondepreciable Capital Assets	25,250
Depreciable Capital Assets	459,733
Accumulated Depreciation	(140,266)
Total Capital Assets	344,717
Net Pension Asset	19,738
Total Non-Current Assets	433,875
Total Assets	578,843
Deferred Outflows of Resources	
Pension	136,068
OPEB	15,902
Total Deferred Outflows of Resources	151,970
Liabilities	
Current Liabilities:	
Accounts Payable	5,859
Accrued Wages and Payroll Taxes	11,218
Accrued Compensated Absences	12,363
Current Portion of Mortgage Note	8,988
Total Current Liabilities	38,428
Non-Current Liabilities:	
Family Self-Sufficiency Deposits Payable	32,311
Mortgage Note	153,480
Net Pension Liability	263,873
Net OPEB Liability	216,099
Total Non-Current Liabilities	665,763
Total Liabilities	704,191
Deferred Inflows of Resources	
Pension	72,405
OPEB	20,198
Total Deferred Inflows of Resources	92,603
Net Position	
Net Investment in Capital Assets	182,249
Restricted	37,109
Unrestricted	(285,339)
Total Net Position	$ (65,981)

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, 2018

Operating Revenues				
Operating Grants			$	3,371,840
Fraud Recovery				6,224
Other Revenues				120,940
Total Operating Revenues				3,499,004
Operating Expenses				
Housing Assistance Payments	$	2,985,168		
Administrative		541,833		
Utilities		20,286		
Material and Operations		2,808		
General and Insurance		8,202		
Depreciation		23,362		
Total Operating Expenses				3,581,659
Operating Loss				(82,655)
Nonoperating Revenues & (Expenses)				
Interest Revenue				67
Loss on Disposal of Asset				(4,185)
Interest Expense				(6,958)
Total Nonoperating Revenues & (Expenses)				(11,076)
Change in Net Position				(93,731)
Net Position at October 1, 2017, Restated				27,750
Net Position at September 30, 2018			$	(65,981)

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, 2018

Cash flows from operating activities:	
Cash received from HUD and other grantor agencies	$ 3,356,956
Cash received from other sources	127,164
Cash payments to employees for services	(424,481)
Cash payments for good or services - HUD	(2,985,168)
Cash payments for goods or services	(49,948)
Net cash provided by operating activities	24,523
Cash flows from investing activities:	
Interest	67
Net cash provided by investing activities	67
Cash flows from capital and related activities:	
Principal paid on mortgage note	(15,276)
Interest paid on mortgage note	(6,958)
Acquisition of capital assets	(22,524)
Net cash used by capital and related activities	(44,758)
Net change in cash	(20,168)
Cash at October 1, 2017	213,870
Cash at September 30, 2018	$ 193,702
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (82,655)
Depreciation	23,362
Changes in:	
Accounts receivable, net	(3,411)
Net pension asset	(700)
Accounts payable	(4,499)
Accrued wages and payroll taxes	(8,653)
Other liabilities	2,340
Net pension liability	911
Net OPEB liability	9,042
Deferred outflows of resources	7,485
Deferred inflows of resources	81,301
Net cash provided by operating activities	$ 24,523

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Excluded Entity

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

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

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 2018, the Knox Housing Services, Inc. has been excluded from reporting as it is not considered to be a component unit of the Authority.

Fund Accounting

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

Proprietary Fund Type:

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

Enterprise Fund – The Authority accounts for and reports all receipts on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow of resources liabilities, and deferred inflow of resources associated with the operation of the Authority are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for and reports all operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting and Reporting for Nonexchange Transactions

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

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

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold used by the Authority is $1,000. The following are the useful lives used for depreciation purposes:

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

Cash and Cash Equivalents

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

Estimates

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

Accounts Receivable

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 7 and 8.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislature at September 30, 2018.

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 $32,311 and Housing Assistance Payment equity balance of $37,109. 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. ACCOUNTABILITY AND COMPLIANCE

A. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

2. ACCOUNTABILITY AND COMPLIANCE – CONTINUED

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported September 30, 2017:

Net positon September 30, 2017	$ 206,012
Adjustments:	
Net OPEB Liability	(207,057)
Deferred Outflows of Resources	28,795
Restated Net Positon September 30, 2017	$ 27,750

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

B. DEFICIT NET POSITION

The Authority reported deficit net positon of $65,981 at September 30, 2018.

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, 2018 are as follows:

	Checking	Savings	Total
Demand Deposits:			
Bank balance	$ 44,282	$149,420	$193,702
Items-in-transit	-	-	-
Carrying balance	$ 44,282	$149,420	$193,702

Of the fiscal year-end bank balance, $193,702 of deposits of the total checking and saving account balances were covered by federal deposit insurance.

Based on the Authority having only demand deposits at September 30, 2018, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

4. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2018:

	Balance 9/30/2017	Additions	Transfers/ Disposals	Balance 9/30/2018
Capital Assets Not Depreciated				
Land	$ 25,250	$ -	$ -	$ 25,250
Capital Assets Depreciated				
Building	324,920	-	-	324,920
Equipment	103,904	-	(24,700)	79,204
Leasehold Improvement	14,272	22,524	18,813	55,609
Total Capital Assets Depreciated	443,096	22,524	(5,887)	459,733
Accumulated Depreciation				
Building	(57,107)	(11,815)	-	(68,922)
Equipment	(58,638)	(7,212)	10,304	(55,546)
Leasehold Improvement	(2,861)	(4,335)	(8,602)	(15,798)
Total Accumulated Depreciation	(118,606)	(23,362)	1,702	(140,266)
Total Capital Assets Depreciated, Net	324,490	(838)	(4,185)	319,467
Total Capital Assets, Net	$ 349,740	$ (838)	$ (4,185)	$ 344,717

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 2018, the Authority purchased commercial insurance for public officials and employment practices liability for general insurance, property, crime, electronic equipment, and automobile insurance.

Public officials' liability and employment practices liability insurance each carries a $5,000 deductible. Commercial property, general liability, and vehicle insurance each carries a $500 deductible. Settled claims have not exceeded this coverage in any of the last three fiscal years. There has been no significant reduction in coverage from last fiscal year.

7. DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset)

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

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

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

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

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

Plan Description **–** Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan with a few employees being members of the combined plan; therefore, the following disclosure focuses on the traditional and combined pension plans.

7. DEFINED BENEFIT PENSION PLANS - CONTINUED

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

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

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

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

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

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

	State and Local
2017 & 2018 Statutory Maximum Contribution Rates:	
Employer	14.0%
Employee	10.0%
2017 Actual Contribution Rates:	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	1.0%
Total Employer	14.0%
2018 Actual Contribution Rates:	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution for pension was $34,421 for fiscal year 2018. Of this amount $491 is reported within accrued wages and payroll taxes.

Pension Liabilities/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability/(asset) was measured as of December 31, 2017, and the total pension liability(asset) used to calculate the net pension liability(asset) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability/(asset) was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Plan	Combined Plan
Proportionate Share of the Net Pension Liability/(Asset)	$263,873	($19,738)
Proportion of the Net Pension Liability/(Asset) Current Measurement Date	0.001682%	0.014499%
Change in Proportionate Share from Prior Measurement Date	0.000524%	(0.019707)%
Pension Expense	$85,017	($3,166)

7. DEFINED BENEFIT PENSION PLANS – CONTINUED

At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	Traditional Plan	Combined Plan	Total
Difference between expected and actual experience	$ 270	$ -	$ 270
Change in assumptions	31,534	1,725	33,259
Change in proportion and differences between Authority contributions and proportionate share of contributions	63,713	12,881	76,594
Authority contributions subsequent to the measurement date	21,307	4,638	25,945
Total Deferred Outflows of Resources	$116,824	$ 19,244	$136,068
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 56,652	$ 3,114	$ 59,766
Difference between expected and actual experience	5,199	5,879	11,078
Change in proportion and differences between Authority contributions and proportionate share of contributions	1,561	-	1,561
Total Deferred Inflows of Resources	$ 63,412	$ 8,993	$ 72,405

Amount of $25,945 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Traditional Plan	Combined Plan	Total
2019	$58,295	$ 626	$58,921
2020	22,037	538	22,575
2021	(24,947)	(156)	(25,103)
2022	(23,280)	(86)	(23,366)
2023	-	1,009	1,009
Thereafter	-	3,682	3,682
Total	$32,105	$ 5,613	$37,718

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

7. DEFINED BENEFIT PENSION PLANS - CONTINUED

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

7. DEFINED BENEFIT PENSION PLANS - CONTINUED

The most recent experience study was completed for the five year period ended December 31, 2015.

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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

7. DEFINED BENEFIT PENSION PLANS - CONTINUED

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability/(asset)			
Traditional Plan	$468,572	$263,873	$93,216
Combined Plan	($10,729)	($19,738)	($25,953)

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

8. OTHER POST EMPLOYMENT BENEFITS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit

8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1,

8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

Upon termination or retirement, Member-Directed Plan participants can use vested retiree medical account funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest in health care over 15 years at a rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in health care over a five-year period at a rate of 20% per year. Health care coverage is neither guaranteed nor statutorily required.

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only

8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

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

	State and Local
2017 & 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and decreased to 0.0 percent for 2018. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts was 4.0 percent for 2017. The Authority's contractually required contribution was $760 for fiscal year ending September 30, 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of total contributions relative to the total contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportionate Share of the Net OPEB Liability	$216,099
Proportion of the Net OPEB Liability	0.001990%
Change in Proportion from Prior Measurement Date	(0.000060)%
OPEB Expense	$42,133

At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

	Total Deferred Outflows
Change in assumptions	$ 15,734
Difference between expected and actual experience	168
Total Deferred Outflows of Resources	$ 15,902

	Total Deferred Inflows
Net difference between projected and actual earnings on OPEB plan investments	$16,098
Changes in proportion and differences between Authority contributions and proportionate share of contributions	4,100
Total Deferred Inflows of Resources	$20,198

All amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30:	
2019	$ 1,620
2020	1,620
2021	(3,510)
2022	(4,026)
Total	$(4,296)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The total OPEB liability was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Single Discount Rate	3.85 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$287,097	$216,099	$158,663

8. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the Authority's proportionate share of the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease (6.5%)	Current Trend Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net OPEB liability	$206,761	$216,099	$225,746

9. 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, 2018, the accrual for compensated absences totaled $12,363 and has been included in the accompanying Statement of Net Position. The Authority considers the entire liability balance to be due in one year.

10. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2018:

Description	Restated Balance 09/30/17	Additions	Deletions	Balance 09/30/18	Due Within One Year
Mortgage Note Payable	$177,744	$ -	$(15,276)	$162,468	$8,988
Net Pension Liability	262,962	911	-	263,873	-
Net OPEB Liability	207,057	9,042	-	216,099	-
Family Self-Sufficiency Payable	29,603	26,389	(23,681)	32,311	-
Compensated Absence Payable	12,731	2,584	(2,952)	12,363	12,363
Total	**$690,097**	**$ 38,926**	**$(41,909)**	**$687,114**	**$21,351**

10. LONG-TERM LIABILITIES – CONTINUED

See Notes 7 and 8 for information on the Authority's net pension and OPEB liabilities.

In November 2012, the Authority entered into a mortgage note in the amount of $225,000 to purchase the Authority's administration building. The note requires 119 monthly installments of $1,487.47, along with a final balloon payment of $141,592.82 due on November 14, 2022, including interest at 4.950% per annum; there will be an option to refinance the loan rather than making the balloon payment, which the Authority intends to exercise this option. During fiscal year 2018, the Authority made additional payments to principal to reduce the loan liability. At September 30, 2018, the Authority had an outstanding mortgage note payable of $162,468.

The aggregate amounts of long-term debt maturities for the remaining fiscal years following fiscal year 2018 are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 8,988	$ 8,862	$ 17,850
2020	9,425	8,425	17,850
2021	9,933	7,917	17,850
2022	10,443	7,407	17,850
2023	123,679	2,313	125,992
Total	$162,468	$34,924	$197,392

11. 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, 2018.

B. Litigation

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

Knox Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability/(Asset)
Ohio Public Employees Retirement System
Last Five Fiscal Years (1)

Traditional Plan	**2018**	**2017**	**2016**	**2015**	**2014**
Authority's Proportion of the Net Pension Liability	0.001682%	0.001158%	0.000958%	0.001212%	0.001212%
Authority's Proportionate Share of the Net Pension Liability	$263,873	$262,962	$165,938	$146,181	$142,879
Authority's Covered Payroll	$222,303	$149,738	$119,294	$148,536	$151,491
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.70%	175.61%	139.10%	98.41%	94.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

Combined Plan	**2018**	**2017**	**2016**	**2015**	**2014**
Authority's Proportion of the Net Pension Asset	0.014499%	0.034206%	0.043120%	0.043214%	0.043214%
Authority's Proportionate Share of the Net Pension (Asset)	($19,738)	($19,038)	($20,120)	($16,638)	($4,534)
Authority's Covered Payroll	$59,379	$133,149	$156,935	$152,182	$155,389
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	33.24%	14.30%	12.82%	10.93%	2.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%	114.83%	104.33%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

(2) - Amounts presented as of the Authority's plan measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information.

Knox Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Contributions - Pension
Ohio Public Employees Retirement System
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions										
Traditional Plan	$27,997	$27,937	$14,983	$15,247						
Combined Plan	6,424	8,025	18,735	18,647						
Total Required Contributions	$34,421	$35,962	$33,718	$33,894	$39,567	$33,224	$30,407	$26,018	$22,733	$16,634
Contributions in Relation to the Contractually Required Contribution	($34,421)	($35,962)	($33,718)	($33,894)	($39,567)	($33,224)	($30,407)	($26,018)	($22,733)	($16,634)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered Payroll										
Traditional Plan	$203,615	$219,114	$124,858	$127,058						
Combined Plan	$46,720	$62,941	$156,125	$155,392						
Total Covered Payroll					$304,353	$309,057	$304,064	$289,093	$258,229	$237,629
Pension Contributions as a Percentage of Covered Payroll										
Traditional Plan	13.75%	12.75%	12.00%	12.00%	13.00%	10.75%	10.00%	9.00%	8.80%	7.00%
Combined Plan	13.75%	12.75%	12.00%	12.00%	13.00%	10.75%	10.00%	9.00%	8.80%	7.00%

(1) – Information prior to 2015 is not available for classification of OPERS contributions by plan. Total contributions reported include any amounts contributed to the traditional and combined plans.

See accompanying notes to the required supplementary information.

Knox Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Two Fiscal Years (1)

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.001990%	0.002050%
Authority's Proportionate Share of the Net OPEB Liability	$ 216,099	$ 207,057
Authority's Covered Payroll	$ 281,682	$ 282,887
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.72%	73.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

(2) Amounts presented as of the Authority's plan measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information.

Knox Metropolitan Houisng Authority
Required Supplementary Information
Schedule of the Authority's Contributions - OPEB
Ohio Public Employees Retirement System
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 760	$ 3,594	$ 5,620	$ 5,649	$ 3,044	$ 10,044	$ 12,163	$ 14,455	$ 13,428	$ 16,634
Contributions in Relation to the Contractually Required Contribution	(760)	(3,594)	(5,620)	(5,649)	(3,044)	(10,044)	(12,163)	(14,455)	(13,428)	(16,634)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 250,335	$ 282,055	$ 280,983	$ 282,450	$ 304,353	$ 309,057	$ 304,064	$ 289,093	$ 258,229	$ 237,629
Contributions as a Percentage of Covered Payroll	0.30%	1.27%	2.00%	2.00%	1.00%	3.25%	4.00%	5.00%	5.20%	7.00%

See accompanying notes to the required supplementary information.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

ENTITY WIDE BALANCE SHEET SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2018

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	Business Activities	14.896 PIH Family Self-Sufficiency Program	Total
	Current Assets				
	Cash				
111	Cash - Unrestricted	$ 7,168	$ 117,114	$ -	$ 124,282
113	Cash - Other Restricted	37,109	-	32,311	69,420
100	Total Cash	44,277	117,114	32,311	193,702
	Accounts Receivable				
124	Oher Government	15,036	5,650	-	20,686
125	Miscellaneous	-	-	-	-
128	Fraud Recovery	2,875	-	-	2,875
128.1	Allowance for Doubtful Accounts	(2,875)	-	-	(2,875)
120	Total Receivables, Net of Allowance for Doubtful Accounts	15,036	5,650	-	20,686
150	Total Current Assets	59,313	122,764	32,311	214,388
	Noncurrent Assets				
	Capital Assets				
161	Land	-	25,250	-	25,250
162	Buildings	-	324,920	-	324,920
164	Furniture and Equipment - Administration	79,204	-	-	79,204
165	Leasehold Improvements	-	55,609	-	55,609
166	Accumulated Depreciation	(58,508)	(81,758)	-	(140,266)
160	Total Capital Assets net of accumulated depreciation	20,696	324,021	-	344,717
174	Other Assets	15,198	4,540	-	19,738
180	Total Noncurrent Assets	35,894	328,561	-	364,455
190	Total Assets	95,207	451,325	32,311	578,843
200	Deferred Outflow of Resources	115,649	36,321	-	151,970
290	Total Assets and Deferred Outflow of Resources	$ 210,856	$ 487,646	$ 32,311	$ 730,813
	Current Liabilities				
312	Accounts Payable	$ 4,170	$ 1,689	$ -	$ 5,859
321	Accrued Wages and Payroll Taxes	11,218	-	-	11,218
322	Accrued Compensated Absences - Current	12,363	-	-	12,363
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage	-	8,988	-	8,988
310	Total Current Liabilities	27,751	10,677	-	38,428
	Non-Current Liabilities				
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage	-	153,480	-	153,480
353	Non-Current Liabilities - Other	-	-	32,311	32,311
357	Accrued Pension and OPEB Liabilities	369,578	110,394	-	479,972
350	Total Non-Current Liabilities	369,578	263,874	32,311	665,763
300	Total Liabilities	397,329	274,551	32,311	704,191
400	Deferred Inlow of Resources	72,722	19,881	-	92,603
	Net Position				
508.1	Net Investment in Capital Assets	20,696	161,553	-	182,249
511.1	Restricted Net Position	37,109	-	-	37,109
512.1	Unrestricted Net Position	(317,000)	31,661	-	(285,339)
	Total Net Position	(259,195)	193,214	-	(65,981)
600	Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 210,856	$ 487,646	$ 32,311	$ 730,813

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

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY

ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	Business Activites	14.896 PIH Family Self-Sufficiency Program	14.267 Contiunuum of Care Program	Elimination	Total
	Revenue						
70600	HUD PHA Operating Grants	$ 3,216,207	$ -	$ 23,113	$ 132,520	$ -	$ 3,371,840
71100	Investment Income - Unrestricted	-	64	-	-	-	64
71400	Fraud Recovery	6,224	-	-	-	-	6,224
71500	Other Revenue	1,910	141,656	-	-	(22,626)	120,940
71600	Gain or Loss on Sale of Capital Assets	-	(4,185)	-	-	-	(4,185)
72000	Investment Income - Restricted	3	-	-	-	-	3
70000	Total Revenue	3,224,344	137,535	23,113	132,520	(22,626)	3,494,886
	Expenses						
91100	Administrative Salaries	225,360	27,370	19,985	3,766	-	276,481
91200	Auditing Fees	3,883	1,267	-	-	-	5,150
91500	Employee Benefit Contribution - Administrative	96,400	72,408	3,128	2,356	-	174,292
91600	Office Expenses	60,302	36,920	-	2,140	(22,626)	76,736
91700	Legal Expense	8,044	-	-	-	-	8,044
91800	Travel	771	359	-	-	-	1,130
91000	Total Operating - Administrative	394,760	138,324	23,113	8,262	(22,626)	541,833
93100	Water	-	1,137	-	-	-	1,137
93200	Electricity	-	15,201	-	-	-	15,201
93300	Gas	-	3,948	-	-	-	3,948
91000	Total Utilities	-	20,286	-	-	-	20,286
94200	Ordinary Maintenance and Operations - Materials and Other	-	2,808	-	-	-	2,808
94000	Total Maintenance and Operations	-	2,808	-	-	-	2,808
96110	Property Insurance	-	1,388	-	-	-	1,388
96120	Liability Insurance	6,473	-	-	156	-	6,629
96130	Workmen's Compensation	185	-	-	-	-	185
96100	Total Insurance Premiums	6,658	1,388	-	156	-	8,202
96710	Interest of Mortgage (or Bonds) Payable	-	6,958	-	-	-	6,958
96700	Total Interest Expense and Amortization Cost	-	6,958	-	-	-	6,958
96900	Total Operating Expenses	401,418	169,764	23,113	8,418	(22,626)	580,087
97000	Excess Operating Revenue Over Operating Expenses	2,822,926	(32,229)	-	124,102	-	2,914,799
	Other Expenses						
97300	Housing Assistance Payments	2,861,066	-	-	124,102	-	2,985,168
97400	Depreciation Expense	9,279	14,083	-	-	-	23,362
	Total Other Expenses	2,870,345	14,083	-	124,102	-	3,008,530
90000	Total Expenses	3,271,763	183,847	23,113	132,520	(22,626)	3,588,617
10000	Excess of Revenues under Expenses	(47,419)	(46,312)	-	-	-	(93,731)
11030	Beginning Net Position	(74,514)	280,526	-	-	-	206,012
11040	Prior Period Adjustments	(137,262)	(41,000)	-	-	-	(178,262)
11170	Administrative Fee Equity	(296,304)	-	-	-	-	(296,304)
11180	Housing Assistance Payment Equity	37,109	-	-	-	-	37,109
	Total Ending Net Position	$ (259,195)	$ 193,214	$ -	$ -	$ -	$ (65,981)

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor / Pass Through Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Funding:			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	N/A	14.871	$ 3,216,207
Total Housing Voucher Cluster			3,216,207
Continuum of Care Program	N/A	14.267	132,520
Family Self-Sufficiency Program	N/A	14.896	23,113
Total Federal Award Expenditures			$ 3,371,840

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Knox Metropolitan Housing Authority (the Authority) under programs of the federal government for the fiscal year ended September 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Auhtority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

WILSON, SHANNON & SNOW INC. CPAs & ADVISORS

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 29, 2019, wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 29, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Knox Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Knox Metropolitan Housing Authority's major federal program for the fiscal year ended September 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on the Major Federal Program

In our opinion, the Knox Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended September 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 29, 2019

KNOX METROPOLITAN HOUSING AUTHROITY
KNOX COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
SEPTEMBER 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER

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 23, 2019