

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

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**For the Year Ended December 31, 2018**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
Fayette Metropolitan Housing Authority  
121 East Street  
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the Fayette Metropolitan Housing Authority, Fayette County, prepared by JC & Company, for the audit period January 1, 2018 through December 31, 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 Fayette Metropolitan Housing Authority is responsible for compliance with these laws and regulations

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

July 22, 2019

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

## INDEPENDENT AUDITOR'S REPORT

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Fayette Metropolitan Housing Authority, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which comprise Fayette Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Fayette Metropolitan Housing Authority, as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of Fayette Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fayette Metropolitan Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fayette Metropolitan Housing Authority's internal control over financial reporting and compliance.



JC & Company  
Lancaster, Ohio  
June 24, 2019



**FAYETTE METROPOLITAN HOUSING AUTHORITY  
 FAYETTE COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018  
 (UNAUDITED)**

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

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

**FINANCIAL HIGHLIGHTS**

- During FY 2018 the Authority's Net Position increased by \$90,253 (or 31.24%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type Net Position. Net Position was \$288,913 and \$379,166 for FY 2017 and FY 2018 respectively.
- The revenue increased by \$60,215 (or 9.48%) during FY 2018 and was \$2,091,242 and \$2,151,457 for FY 2017 and FY 2018 respectively.
- The total expenses for the Authority were increased by \$24,190 (or 6.49%). Total expenses were \$2,037,014 and \$2,061,204 for FY 2017 and FY 2018 respectively.

**USING THIS ANNUAL REPORT**

The Report includes the following sections:

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

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

**Government-Wide Financial Statements**

The Government-wide financial statements (see pgs. 11-13) are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total for the entire Authority.

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

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

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

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

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

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

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

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**Fund Financial Statements**

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

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

**The Authority's Programs**

**Housing Choice Voucher Program** – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under 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.

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

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

**Supportive Housing for Persons with Disabilities** – This Program is exactly like the HCV except it only subsidizes households where one or more family members have a disability.

**HOME Investment Partnership Programs** - Funded by the US Department of Housing & Urban Development (HUD), the Tenant Based Rental Assistance (TBRA). Funds are distributed to the County or City to provide help for paying rent, utility bills, and both rental and utility security deposits.

**Shelter Plus Care** – Provides rental assistance for homeless people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS), and related diseases. Rental assistance grants must be matched with supportive services.

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018  
(UNAUDITED)**

**AUTHORITY-WIDE STATEMENT**

**Statement of Net Position**

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

**STATEMENT OF NET POSITION**

	Fiscal 2018	Fiscal 2017
Current and Other Assets	\$ 335,619	\$ 220,892
Capital Assets	717,548	665,955
Total Assets	\$ 1,053,167	\$ 886,847
Current Liabilities	\$ 139,992	\$ 87,424
Non-Current Liabilities	534,009	510,510
Total Liabilities	674,001	597,934
Net Position:		
Invested in Capital Assets, net related debt	135,053	112,111
Restricted	21,960	8,772
Unrestricted	222,153	168,030
Total Net Position	379,166	288,913
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,053,167	\$ 886,847

For more detailed information see page 9 for the Statement of Net Position.

**Major Factors Affecting the Statement of Net Position**

Current assets were increased by \$114,727 or 51.94% in FY 2018, the result of FYE surplus and increases in restricted position. Liabilities were also increased during the FY year 2018 by \$76,067 or 12.72% which was the result of the purchase of another house and debt to cover the purchase.

Capital Assets also were increased by a net amount of \$51,593 or 7.75%. This was in part by the new purchase, other capitalized improvements and the current year's depreciation.

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
 FAYETTE COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018  
 (UNAUDITED)**

**CHANGE OF UNRESTRICTED NET POSITION**

Unrestricted Net Position 12/31/17	\$	168,030
Results of Operations		77,065
Adjustments:		
Debt Payments/Retirements		(48,417)
(1) Depreciation Exp CY		34,328
Disposition of assets		-
Adjusted Results from Operations		62,976
(2) Capital Expenditures –net of Bank Notes		(8,853)
Unrestricted Net Position 12/31/18	\$	222,153

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

(2) Capital expenditures represent an outflow of Unrestricted Net Position but are treated as an expense against results of operations and must be deducted.

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

**CHANGE OF RESTRICTED NET POSITION**

Restricted Net Position 12/31/17	\$	8,772
Results of Operations		
Increase to Reserve from current year funds		12,281
Fraud Recovery and Forfeitures Payments		907
Adjusted Results from Operations		13,188
Restricted Net Position 12/31/18	\$	21,960

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 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.

	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
<b>OPERATING REVENUES</b>		
Tenant Revenue	\$ 128,890	\$ 120,767
HUD Operating Grants	1,942,377	1,887,907
Other Operating Revenue	79,777	82,170
<b>TOTAL OPERATING REVENUES</b>	<u>2,151,044</u>	<u>2,090,844</u>
<b>OPERATING EXPENSES</b>		
Administrative	245,902	228,503
Utilities	-	1,745
Maintenance	43,284	44,524
General and Other	3,566	32,196
Housing Assistance Payments	1,715,676	1,674,743
Depreciation	34,328	36,072
<b>TOTAL OPERATING EXPENSES</b>	<u>2,042,756</u>	<u>2,017,783</u>
<b>OPERATING NET INCOME</b>	108,288	73,061
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Interest income	413	398
Interest expense	(18,448)	(19,231)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<u>(18,035)</u>	<u>(18,833)</u>
<b>CHANGE IN NET POSITION</b>	90,253	54,228
<b>NET POSITION BEGINNING OF YEAR</b>	<u>288,913</u>	<u>259,317</u>
<b>NET POSITION END OF YEAR</b>	<u>\$ 379,166</u>	<u>\$ 313,545</u>

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

The HUD PHA & Operating Grants increased \$54,470 or 10.22% for FY 2018 because of increases to HUD funding and the addition of TBA/EA program.

Total expenses increased by \$24,190 or 6.49% of which \$106,064 or 6.59% increase was in HAP.

The net increase of \$90,253 for FY 2018 is allocated as follows: "Restricted" HAP funds for the Housing Choice Vouchers and the 5-year Mainstream had a net increase of \$13,188, the "unrestricted" funds for the all the HUD programs totaled an increase of \$32,918, and an increase of \$44,147 for rental housing program.

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
 FAYETTA COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018  
 (UNAUDITED)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of 12/31/18, the Authority had \$717,548 invested in capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$51,593 from the end of last year.

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

	2018	2017
Land and Land Rights	\$ 221,575	\$ 205,375
Buildings	843,370	784,569
Leasehold Improvements	91,993	81,073
Furniture, Equipment & Machinery	137,180	137,180
Accumulated Depreciation	(576,570)	(542,242)
<b>TOTAL</b>	<b>\$ 717,548</b>	<b>\$ 665,955</b>

The following reconciliation summarizes the Change in Capital Assets, which is presented in detail on page 19 of the notes.

**CHANGE IN CAPITAL ASSETS**

	Business-Type Activities
Beginning Balance, December 31, 2017	\$ 665,955
Current Year Additions	85,921
Current Year Dispositions	0
Current Year Depreciation	(34,328)
Ending Balance, December 31, 2018	\$ 717,548

**The additions for this year:**

Purchased 855 Blackstone St	\$75,000
Improvements to 75 Blackstone & 355 Leslie Trace	\$10,921

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
 FAYETTE COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018  
 (UNAUDITED)**

**Debt Outstanding**

As of 12/31/18, the Authority had \$582,495 (bonds, notes, etc.) outstanding compared to \$553,844 last year for a \$28,651 increase.

**CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING**

Beginning Balance – December 31, 2017	\$	553,844
Current Year Loans Proceeds		77,068
Current Year Loan Retirements		<u>(48,417)</u>
Ending Balance- December 31, 2018	\$	<u>582,495</u>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**FINANCIAL CONTACT**

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

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**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	309,439
Cash and cash equivalents - restricted		21,960
Receivables - net of allowance		<u>4,220</u>
<b>TOTAL CURRENT ASSETS</b>		<b>335,619</b>

**CAPITAL ASSETS**

Land		221,575
Other capital assets - net		<u>495,973</u>
<b>TOTAL CAPITAL ASSETS, NET</b>		<u>717,548</u>
<b>TOTAL ASSETS</b>		<b>1,053,167</b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable		26,687
Unearned revenue		62,025
Tenant security deposits		2,794
Bonds, notes, and loans payable - current		<u>48,486</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b>139,992</b>

**NONCURRENT LIABILITIES**

Bonds, notes, and loans payable		<u>534,009</u>
<b>TOTAL LIABILITIES</b>		<b>674,001</b>

**NET POSITION**

Net investment in capital assets		135,053
Restricted		21,960
Unrestricted		<u>222,153</u>
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>379,166</u></b>

See accompanying notes to the basic financial statements

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

<b>OPERATING REVENUES</b>		
Tenant revenue	\$	128,890
HUD operating grants		1,942,377
Other operating revenues		<u>79,777</u>
	<b>TOTAL OPERATING REVENUES</b>	<b>2,151,044</b>
<b>OPERATING EXPENSES</b>		
Administrative		245,902
Maintenance		43,284
Insurance		3,566
Housing assistance payments		1,715,676
Depreciation		<u>34,328</u>
	<b>TOTAL OPERATING EXPENSES</b>	<b><u>2,042,756</u></b>
	<b>OPERATING PROFIT</b>	<b>108,288</b>
<b>NON-OPERATING REVENUE</b>		
Interest income		413
Interest expense		<u>(18,448)</u>
	<b>TOTAL NON-OPERATING REVENUE</b>	<b><u>(18,035)</u></b>
	<b>CHANGE IN NET POSITION</b>	<b>90,253</b>
<b>NET POSITION BEGINNING OF YEAR</b>		<u>288,913</u>
	<b>NET POSITION END OF YEAR</b>	<b><u>\$ 379,166</u></b>

See accompanying notes to the basic financial statements

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from tenants and other sources	\$ 208,667
Cash received from operating grants	1,942,377
Cash payments for housing assistance payments	(1,715,676)
Cash payments for other operating expenses	<u>(261,199)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>174,169</b>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>	
Principal payments on debt	(29,389)
Acquisition of capital assets	(10,921)
Interest expense	<u>(18,448)</u>
<b>NET CASH (USED) BY CAPITAL AND FINANCING ACTIVITIES</b>	<b>(58,758)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	<u>413</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>115,824</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>215,575</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><u>\$ 331,399</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 108,288
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	34,328
Forgiveness of debt	(16,961)
(Increase) decrease in:	
Accounts receivable	1,097
Increase (decrease) in:	
Accounts payable	1,706
Accounts payable - HUD	(15,118)
Unearned revenue	<u>60,829</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 174,169</u></u>

See accompanying notes to the basic financial statements

FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low- and moderate-income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

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

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

**Description of Programs**

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

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

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

**Other Business Activities**- Represents non-HUD resources and derived from a variety of other activities mainly DD rentals.

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

**Restricted Cash and Investments**

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

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

FAYETTE METROPOLITAN HOUSING AUTHORITY  
 FAYETTE COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable-Net

Bad debts are provided on the allowance method based on management’s evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$6,319 at December 31, 2018.

Due From/To Other Programs

There were no inter-program receivables and payables as of December 31, 2018 on the Financial Data Schedule.

Accounting and Reporting for Non-exchange Transactions

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

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

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight-line method over the estimated useful life of the assets. Donated capital assets are recorded at fair market value on the date of receipt. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the assets life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

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

Budgetary Accounting

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

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, constructions or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

FAYETTE METROPOLITAN HOUSING AUTHORITY  
 FAYETTE COUNTY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

2. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

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

For fiscal year-end December 31, 2018, the carrying amount of the Authority's deposits was \$331,399 and its bank balances were \$331,467. Based on the criteria described in GASB Statement No.40, *Deposits and Investment Risk Disclosure*, as of December 31, 2018, deposits totaling \$250,000 were covered by Federal Depository Insurance, and \$81,467 of the Authority's deposits were not insured or collateralized.

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

3. RESTRICTED CASH

The restricted cash balance of \$21,960 at December 31, 2018 represents the following:

Excess HAP cash	\$19,166
FSS Escrows	0
Tenant security deposits	<u>2,794</u>
<b>TOTAL RESTRICTED CASH</b>	<b><u>\$21,960</u></b>



**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**4. CAPITAL ASSETS**

The following is a summary of capital assets at December 31, 2018:

	<u>Balance 12/31/2017</u>	<u>Additions</u>	<u>Disposals/ Corrections</u>	<u>Balance 12/31/2018</u>
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>				
Land	\$ 205,375	\$ 16,200	\$ -	\$ 221,575
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>				
Buildings and Improvements	784,570	58,800	-	843,370
Furniture and equipment - Dwelling	22,376	-	-	22,376
Furniture and equipment - Administrative	114,804	-	-	114,804
Leasehold Improvements	81,073	10,920	-	91,993
Totals at Historical Costs	<u>1,002,823</u>	<u>69,720</u>	<u>-</u>	<u>1,072,543</u>
Accumulated Depreciation	<u>(542,242)</u>	<u>(34,328)</u>	<u>-</u>	<u>(576,570)</u>
<b>TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED</b>	<u>460,581</u>	<u>35,392</u>	<u>-</u>	<u>495,973</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>\$ 665,956</u>	<u>\$ 51,592</u>	<u>\$ -</u>	<u>\$ 717,548</u>
Accumulated Depreciation by Class:				
Building and Improvements				\$ 33,958
Furniture and Fixtures				370
<b>TOTAL ACCUMULATED DEPRECIATION</b>				<u>\$ 34,328</u>

**5. CONTRACT SERVICES**

The Authority contracts with:

- Fayette County Commissioners to obtain financial services for the Authority. The Authority does not have any employees; instead, services are subcontracted from Fayette County.
- Highland Metropolitan Housing Authority to provide management and financial reporting services. Compensation shall be based on the amount allowed by HUD for performing these services.
- Fayette County Board of Developmental Disabilities (DD) to provide a rent subsidy program for persons with developmental disabilities. To provide these services, the Authority acquired residential houses on behalf of the DD. The DD will maintain a legal interest in the property acquired with community assistance funds and will compensate the Authority expenses when vacancies occur in the properties.

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**6. ECONOMIC DEPENDENCY**

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

**7. RISK MANAGEMENT**

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

**8. CONTINGENCIES**

The Authority has received several Federal and state grants for specific purposes which are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2018

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

**9. LONG-TERM DEBT**

The Authority has an obligation with the Ohio Department of Developmental Disabilities for which the Authority received a grant with the condition that the grant funds are used to acquire several properties. The properties are than to be rented to DODD clients for the next 15 years. New grants will be a 30-year obligation. As long as the Authority complies with this restriction, the grant funds are forgiven for each year that has expired.

As of December 31, 2018, the Authority's long-term debt is as follows:

	Bank Loan	DODD	TOTAL
Mortgage payable for property at 842 Lincoln Dr. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$485.89 are due monthly	49,969	0	49,969
Mortgage payable for property at 364 Carolyn Rd. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for a fixed rate of 3.80% for 30 years due on 9/11/31. Payments of principal and interest of \$396.56 are due monthly.	47,896	0	47,896
Mortgage payable for property at 834 Lincoln Dr. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for a fixed rate of 3.80% for 30 years due on 9/11/31. Payments of principal and interest of \$396.56 are due monthly.	47,896	0	47,896

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**9. LONG-TERM DEBT - CONTINUED**

Mortgage payable for property at 1103 Golfview Dr. in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$564.16 are due monthly.

58,018                      0                      58,018

Mortgage payable for property at 594 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$523.20 are due monthly.

53,805                      0                      53,805

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

56,868                      0                      56,868

Mortgage payable for property at 388 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 6/17/16. The current structure of this loan is set for 3.80% for 20 years due on 5/8/29. Payments of principal and interest of \$336.13 are due monthly. Also, the DODD has 2(two) 15-year restricted time frame grants.

34,574                      16,698                      51,271

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

32,286                      22,070                      54,356

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

69,893                      23,559                      93,452

Mortgage payable for property at 855 Blackstone St., NW in Washington Court House, Ohio. has been paid off. DODD has a 30-year restricted timeframe grant.

0                      68,963                      68,963

Total Outstanding Debt	\$451,205	\$131,290	582,495
Current Portion	<u>(32,961)</u>	<u>(15,525)</u>	<u>(48,486)</u>
Total Long-Term Debt	<u>\$418,244</u>	<u>\$115,765</u>	<u>\$534,009</u>

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**9. LONG-TERM DEBT - CONTINUED**

The following is a summary of changes in long-term debt for the year ended December 31, 2018:

<u>Description</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Issued</u>	<u>Sale of</u> <u>Property</u>	<u>Principal</u> <u>Retirement</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Current</u> <u>Portion</u>
Loan Payable - Bank	\$482,661	\$ 0	\$ 0	\$(31,456)	\$451,205	\$32,961
DODD Grant Funds Unexpired	<u>71,183</u>	<u>77,068</u>	<u>0</u>	<u>(16,961)</u>	<u>131,290</u>	<u>15,525</u>
<b>TOTAL</b>	<u><b>\$553,844</b></u>	<u><b>\$77,068</b></u>	<u><b>\$ 0</b></u>	<u><b>\$(48,417)</b></u>	<u><b>\$582,495</b></u>	<u><b>\$48,486</b></u>

Maturities for the debt over the term years are as follows:

	Mortgage	DODD	TOTAL
2019	\$32,961	\$15,525	\$48,486
2020	33,935	15,525	49,460
2021	35,311	13,214	48,525
2022	36,695	11,564	48,259
2023	38,134	6,610	44,744
2024 - 2028	214,267	20,896	235,163
2029 - 2033	59,902	13,863	73,765
2034 - 2038		11,623	11,623
2039 - 2043		11,623	11,623
2044 - 2048		10,847	10,847
<b>TOTAL</b>	<b>\$451,205</b>	<b>\$131,290</b>	<b>\$582,495</b>

**FAYETTE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**DECEMBER 31, 2018**

	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	14.181 Supportive Housing for Persons with Disabilities	14.238 Shelter Plus Care	1 Business Activities	14.239 HOME Investment Partnerships Program	Total
111 Cash - Unrestricted	\$109,082	\$19,592	\$12,232	\$37,699	\$108,815	\$22,019	\$309,439
113 Cash - Other Restricted	\$916		\$18,250				\$19,166
114 Cash - Tenant Security Deposits					\$2,794		\$2,794
100 Total Cash	\$109,998	\$19,592	\$30,482	\$37,699	\$111,609	\$22,019	\$331,399
122 Accounts Receivable - HUD Other Projects	\$3,787		\$433				\$4,220
128 Fraud Recovery	\$6,319						\$6,319
128.1 Allowance for Doubtful Accounts - Fraud	-\$6,319						-\$6,319
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,787	\$0	\$433	\$0	\$0	\$0	\$4,220
150 Total Current Assets	\$113,785	\$19,592	\$30,915	\$37,699	\$111,609	\$22,019	\$335,619
161 Land					\$221,575		\$221,575
162 Buildings					\$843,370		\$843,370
163 Furniture, Equipment & Machinery - Dwellings					\$22,376		\$22,376
164 Furniture, Equipment & Machinery - Administration	\$97,478				\$17,326		\$114,804
165 Leasehold Improvements					\$91,993		\$91,993
166 Accumulated Depreciation	-\$97,478				-\$479,092		-\$576,570
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0	\$717,548	\$0	\$717,548
180 Total Non-Current Assets	\$0	\$0	\$0	\$0	\$717,548	\$0	\$717,548
200 Deferred Outflow of Resources							
290 Total Assets and Deferred Outflow of Resources	\$113,785	\$19,592	\$30,915	\$37,699	\$829,157	\$22,019	\$1,053,167
312 Accounts Payable <= 90 Days	\$20,512				\$547		\$21,059
331 Accounts Payable - HUD PHA Programs		\$5,628					\$5,628
341 Tenant Security Deposits					\$2,794		\$2,794
342 Unearned Revenue				\$36,406	\$3,600	\$22,019	\$62,025
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$48,486		\$48,486
310 Total Current Liabilities	\$20,512	\$5,628	\$0	\$36,406	\$55,427	\$22,019	\$139,992
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$534,009		\$534,009
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$534,009	\$0	\$534,009
300 Total Liabilities	\$20,512	\$5,628	\$0	\$36,406	\$589,436	\$22,019	\$674,001
400 Deferred Inflow of Resources							
508.4 Net Investment in Capital Assets					\$135,053		\$135,053
511.4 Restricted Net Position	\$916		\$18,250		\$2,794	\$0	\$21,960
512.4 Unrestricted Net Position	\$92,357	\$13,964	\$12,865	\$1,293	\$101,874	\$0	\$222,153
513 Total Equity - Net Assets / Position	\$93,273	\$13,964	\$30,915	\$1,293	\$239,721	\$0	\$379,166
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$113,785	\$19,592	\$30,915	\$37,699	\$829,157	\$22,019	\$1,053,167

See Independent Auditor's Report

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
DECEMBER 31, 2018**

	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	14,181 Supportive Housing for Persons with Disabilities	14,238 Shelter Plus Care	1 Business Activities	14,239 HOME Investment Partnerships Program	Total
70300 Net Tenant Rental Revenue					\$128,890		\$128,890
70400 Tenant Revenue - Other							
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$128,890	\$0	\$128,890
70600 HUD PHA Operating Grants	\$1,387,604	\$78,980	\$348,039	\$49,773		\$77,981	\$1,942,377
71100 Investment Income - Unrestricted	\$308	\$38	\$7		\$60		\$413
71400 Fraud Recovery	\$1,811						\$1,811
71500 Other Revenue	\$9,305				\$68,661		\$77,966
70000 Total Revenue	\$1,399,028	\$79,018	\$348,046	\$49,773	\$197,611	\$77,981	\$2,151,457
91200 Auditing Fees	\$3,699	\$223	\$1,006	\$134			\$5,062
91300 Management Fee	\$78,878	\$6,039	\$21,777	\$2,904	\$59,442	\$9,500	\$178,540
91600 Office Expenses	\$28,684	\$2,196	\$7,919	\$1,055	\$5,377	\$500	\$45,731
91800 Travel	\$2,247	\$172	\$620	\$83			\$3,122
91900 Other	\$8,655	\$663	\$2,389	\$319			\$12,026
91000 Total Operating - Administrative	\$122,163	\$9,293	\$33,711	\$4,495	\$64,819	\$10,000	\$244,481
94200 Ordinary Maintenance and Operations - Materials and Other	\$7,307	\$559	\$2,017	\$269	\$10,465		\$20,617
94300 Ordinary Maintenance and Operations Contracts					\$22,667		\$22,667
94000 Total Maintenance	\$7,307	\$559	\$2,017	\$269	\$33,132	\$0	\$43,284
96120 Liability Insurance	\$1,619	\$124	\$447	\$60	\$1,316		\$3,566
96100 Total insurance Premiums	\$1,619	\$124	\$447	\$60	\$1,316	\$0	\$3,566
96200 Other General Expenses					\$1,421		\$1,421
96000 Total Other General Expenses	\$0	\$0	\$0	\$0	\$1,421	\$0	\$1,421
96710 Interest of Mortgage (or Bonds) Payable					\$18,448		\$18,448
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$18,448	\$0	\$18,448
96900 Total Operating Expenses	\$131,089	\$9,976	\$36,175	\$4,824	\$119,136	\$10,000	\$311,200
97000 Excess of Operating Revenue over Operating Expenses	\$1,267,939	\$69,042	\$311,871	\$44,949	\$78,475	\$67,981	\$1,840,257
97300 Housing Assistance Payments	\$1,234,933	\$67,075	\$293,143	\$44,144		\$67,981	\$1,707,276
97350 HAP Portability-In	\$8,400						\$8,400
97400 Depreciation Expense					\$34,328		\$34,328
90000 Total Expenses	\$1,374,422	\$77,051	\$329,318	\$48,968	\$153,464	\$77,981	\$2,061,204
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$24,606	\$1,967	\$18,728	\$805	\$44,147	\$0	\$90,253
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$68,667	\$11,997	\$12,187	\$488	\$195,574	\$0	\$288,913
11170 Administrative Fee Equity	\$92,357						\$92,357

See Independent Auditor's Report

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Contract No.</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing &amp; Urban Development</u></b>			
<i>Direct Programs:</i>			
Supportive Housing for Persons with Disabilities	14.181	N/A	\$ 348,039
Section 8 Housing New Construction and Substantial Rehabilitation	14.182	N/A	78,980
Shelter Plus Care	14.238	N/A	49,773
Section 8 Housing Choice Vouchers	14.871	N/A	<u>1,387,604</u>
<b>TOTAL DIRECT AWARDS</b>			<b>\$ 1,864,396</b>
 <b>Passed through Fayette County Commissioners:</b>			
HOME Investment Partnership Programs	14.239	None	<u>\$ 77,981</u>
<b>TOTAL PASS-THROUGH PROGRAMS</b>			<b><u>\$ 77,981</u></b>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b><u>\$ 1,942,377</u></b>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b><u>\$ 1,942,377</u></b>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the Fayette Metropolitan Housing Authority under a program of the federal government for the year ended December 31, 2018. The Information in this SEFA is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance).

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



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

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

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Fayette Metropolitan Housing Authority, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which comprise the Fayette Metropolitan Housing Authority's basic financial statements, and have issued our report thereon dated June 24, 2019.

**Internal Control Over Financial Reporting**

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

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

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



**Compliance and Other Matters**

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

**Purpose of This Report**

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



JC & Company  
Lancaster, Ohio  
June 24, 2019



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

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

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Fayette Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Fayette Metropolitan Housing Authority's major federal program for the year ended December 31, 2018. The Fayette Metropolitan Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Fayette Metropolitan Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fayette Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Opinion on Each Major Federal Program*

In our opinion, the Fayette Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the Fayette Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fayette Metropolitan Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fayette Metropolitan Housing Authority's internal control over compliance.

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

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

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



JC & Company  
Lancaster, Ohio  
June 24, 2019

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY**

**Summary of Auditor's Results and Schedule of Findings  
2 CFR § 200.515  
December 31, 2018**

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY  
FAYETTE COUNTY**

**Summary of Auditor's Results and Schedule of Findings  
2 CFR § 200.515  
December 31, 2018**

**2. FINDINGS RELATED TO FINANCIAL STATEMENTS**

**There are no findings or questioned costs for the year ended December 31, 2018.**

**3. FINDINGS RELATED TO FEDERAL AWARDS**

**There are no findings or questioned costs for the year ended December 31, 2018.**

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# OHIO AUDITOR OF STATE KEITH FABER



**FAYETTE METROPOLITAN HOUSING AUTHORITY**

**FAYETTE COUNTY**

## **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 1, 2019**