

FAYETTE METROPOLITAN HOUSING AUTHORITY

Fayette County, Ohio

Financial Statements

For the Year Ended December 31, 2015



Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Dave Yost • Auditor of State

Members of the Board of Commissioners
Fayette Metropolitan Housing Authority
121 East St
Washington Court House, OH 43160

We have reviewed the *Independent Auditor's Report* of the Fayette Metropolitan Housing Authority, Fayette County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 19, 2016

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FAYETTE METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

June 20, 2016

Members of the Board of Commissioners
Fayette Metropolitan Housing Authority
Washington Courthouse, OH 43160

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Fayette Metropolitan Housing Authority (the Authority), Fayette County, as of and for the year ended December 31, 2015, 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 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 opinions 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2015, and the respective changes in its net position and its 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 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental financial data schedules presented on pages 23 through 29 are presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated, in all material respects, in relation to the 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 20, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

Whited Seigneur Sams & Rahe

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Unaudited)

The Fayette Metropolitan Housing Authority's (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 (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 (beginning on page 12).

FINANCIAL HIGHLIGHTS

- During FY 2015, the Authority's Net Position decreased by \$36,585 (or 16.04%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type Net Position. Net Position was \$185,894 and \$228,075 for FY 2015 and FY 2014 respectively.
- The revenue increased by \$113,509 (or 5.92%) during FY 2015, and was \$2,031,880 and \$1,918,371 for FY 2015 and FY 2014 respectively.
- The total expenses for the Authority increased by \$75,866 (or 3.81%). Total expenses were \$2,068,465 and \$1,992,599 for FY 2015 and FY 2014 respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A ~ Management Discussion And Analysis ~
Basic Financial Statements ~Authority-Wide Financial Statements~
Other Required Supplementary Information ~ Required Supplementary Information~ (Other than MD&A)

The primary focus of the Authority's financial statement is on the Authority as a whole (Authority-wide).

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Unaudited)

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 12-14) 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 equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

Net Invested in Capital Assets: 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 does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position".

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

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

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

Fund Financial Statements

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

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Unaudited)

The Authority's Programs

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

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

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

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

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FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(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.

TABLE 1
STATEMENT OF NET POSITION

	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 175,806	\$ 217,808
Capital Assets	722,498	761,960
Total Assets	<u>\$ 898,304</u>	<u>\$ 979,768</u>
Current Liabilities	\$ 79,411	\$ 78,730
Long-Term Liabilities	632,924	672,349
Total Liabilities	<u>\$ 712,335</u>	<u>\$ 751,079</u>
Deferred Inflows of Resources	<u>75</u>	<u>614</u>
Net Position:		
Net Investment in Capital Assets	\$ 71,409	\$ 62,503
Restricted	8,580	10,234
Unrestricted	<u>105,905</u>	<u>155,338</u>
Total Net Position	<u>185,894</u>	<u>228,075</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 898,304</u>	<u>\$ 979,768</u>

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

Major Factors Affecting the Statement of Net Position

Current assets were decreased by (\$42,002) or (19.28%) in fiscal year 2015 and liabilities also decreased during the fiscal year 2015 by (\$38,744) or (5.16%).

Capital Assets also were decreased by a net amount of (\$39,462). The decrease was the current year's depreciation as no additional purchases or disposals were made.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Unaudited)

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

TABLE 2
CHANGE OF TOTAL NET POSITION

	Unrestricted	Restricted	Net Investment in Capital Assets
Ending Balance- December 31, 2014	\$ 155,338	\$ 10,234	\$ 62,503
Results of Operations	(3,942)	(1,654)	-
Adjustments:			
Debt Retirements	(48,368)	-	48,368
Current year Depreciation Expense (1)	<u>39,462</u>	<u>-</u>	<u>(39,462)</u>
Ending Balance- December 31, 2015	<u>\$ 142,490</u>	<u>\$ 8,580</u>	<u>\$ 71,409</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net position.

(2) Capital expenditures represent an outflow of unrestricted net position, but are not 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.

TABLE 3
CHANGE OF RESTRICTED NET POSITION

Restricted Net Position 12/31/14	\$ 10,234
Results of Operations	
Decrease to Reserve	(10,285)
Fraud Recovery & Forfeitures Payments	8,631
Adjusted Results from Operations	<u>(1,654)</u>
Restricted Net Position 12/31/15	<u>\$ 8,580</u>

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Unaudited)

TABLE 4

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.

TABLE 4
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Percent</u>
<u>Revenues</u>				
Operating Grants	\$ 1,831,889	\$ 1,684,859	\$ 147,030	8.7%
Investment Income	233	629	862	137.0%
Tenant Revenue	120,432	121,155	241,587	199.4%
Other Revenue	<u>79,326</u>	<u>111,728</u>	<u>191,054</u>	<u>171.0%</u>
Total Revenues	2,031,880	1,918,371	3,950,251	205.9%
<u>Expenses</u>				
Administrative (Restated)	286,557	239,429	525,986	219.7%
Tenant Services	1,822	33,568	35,390	105.4%
Maintenance	44,833	47,257	92,090	194.9%
General & Interest Expenses	40,353	103,409	143,762	139.0%
Housing Assistance Payments	1,655,438	1,526,710	3,182,148	208.4%
Depreciation	<u>39,462</u>	<u>42,226</u>	<u>81,688</u>	<u>193.5%</u>
Total Expenses	<u>2,068,465</u>	<u>1,992,599</u>	<u>4,061,064</u>	<u>203.8%</u>
Change in Net Position	(36,585)	(74,228)	(110,813)	149.3%
Prior Period Adjustment	<u>\$ (5,596)</u>	<u>\$ -</u>	<u>\$ (5,596)</u>	<u>100.0%</u>

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

The HUD PHA & Operating Grants increased \$147,030 or 8.73% for FY2015 because of increases to HCV Program. Tenant Revenue decreased in 2015 by \$723 for the 10 PHA owned units. Other Revenues decreased \$32,402 in 2015 because in the prior year the HCV program used reserves and paid Business Activities for outstanding PHA owned units debt.

The net decrease of \$36,585 for FY 2015 is allocated as follows: "Restricted" HAP funds for the HCV & Mainstream 5-Year Program had a net decrease of \$1,654; the "unrestricted" funds for all the HUD programs totaled a decrease of \$55,348, and an increase of \$20,417 for rental housing program.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015, the Authority had \$722,498 invested in capital assets as reflected in the following schedule, which represents a net decrease (depreciation) of \$39,462 from the end of last year.

TABLE 5
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	2015	2014
Land	\$ 205,375	\$ 205,375
Buildings	784,569	784,569
Furniture, Equipment & Machinery	137,180	137,180
Leasehold Improvements	69,359	69,359
Accumulated Depreciation	(473,985)	(434,523)
 Total	 \$ 722,498	 \$ 761,960

The following reconciliation summarizes the change in capital assets, which is presented in detail in Note 5 to the financial statements.

TABLE 6
CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance- December 31, 2014	\$ 761,960
Depreciation expense	(39,462)
Ending Balance- December 31, 2015	\$ 722,498

FAYETTE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Unaudited)

Debt Outstanding

As of 12/31/15, the Authority had \$ 651,089 (bonds, notes, etc.) outstanding compared to \$699,457 last year for a \$48,368 decrease.

TABLE 6

CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance- December 31, 2014	\$ 699,457
Loan proceeds	-
Loan retirements	<u>(48,368)</u>
Ending Balance- December 31, 2015	<u>\$ 651,089</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 Reed, Executive Director for the Fayette Metropolitan Housing Authority, at (740) 335-7525. Specific requests may be submitted to the Authority at 121 E. East Street, Washington Court House, OH 43160.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Net Position-
Proprietary Fund Type
December 31, 2015

ASSETS

Current assets

Cash and investments	\$ 126,324
Restricted cash	37,071
Receivable, net	12,355
Prepaid Expenses	56
Total current assets	<u>175,806</u>

Noncurrent assets

Capital Assets:	
Land	205,375
Buildings and Improvements	853,928
Equipment	137,180
Less: accumulated depreciation	<u>(473,985)</u>
Total capital assets	<u>722,498</u>

TOTAL ASSETS \$ 898,304

LIABILITIES

Current Liabilities

Accounts Payable	\$ 29,961
Tenant security deposits	2,794
Bonds, notes, and loans payable	<u>46,656</u>
Total current liabilities	79,411

Noncurrent liabilities

Bonds, notes, and loans payable	604,433
Noncurrent liabilities- other	<u>28,491</u>
Total noncurrent liabilities	<u>632,924</u>

Total liabilities 712,335

Deferred inflows of resources

Prepaid Rent	75
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NET POSITION

Net Investment in Capital Assets	71,409
Restricted	8,580
Unrestricted	<u>105,905</u>
Total net position	<u>\$ 185,894</u>

The accompanying notes are an integral part of these financial statements.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position-
Proprietary Fund Type
Year Ended December 31, 2015

OPERATING REVENUE

Tenant revenue	\$	120,432
Government operating grants		1,831,889
Other revenue		<u>79,326</u>
Total operating revenue		<u>2,031,647</u>

OPERATING EXPENSES

Administrative		286,557
Tenant Services		1,822
Maintenance		44,833
General		3,854
Housing assistance payment		1,655,438
Depreciation		<u>39,462</u>
Total operating expenses		<u>2,031,966</u>
Operating income (loss)		(319)

NONOPERATING REVENUES (EXPENSES)

Interest and investment income		233
Interest expense		<u>(36,499)</u>
Total nonoperating revenues (expenses)		<u>(36,266)</u>

Change in net position (36,585)

Net position, beginning of year (restated) 222,479

Net position, end of year \$ 185,894

The accompanying notes are an integral part of these financial statements.

FAYETTE METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows-
Proprietary Fund Type
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from operating grants	\$ 1,840,848
Cash received from tenants and other sources	202,216
Cash payments for housing assistance payments	(1,611,658)
Cash payments for administrative and operating expenses	<u>(372,711)</u>
Net Cash Used for Operating Activities	<u>58,695</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Principal payments	(22,078)
Interest expense	<u>(36,499)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(58,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>442</u>
Net Cash Provided By Investing Activities	<u>442</u>
Net Decrease in Cash and Investments	560
Cash and Investments Beginning of Year	<u>162,835</u>
Cash and Investments End of Year	<u>\$ 163,395</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (319)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used for Operating Activities:	
Forgiveness of debt	(26,290)
Bad Debt Write Off	1,822
Depreciation	39,462
(Increase)Decrease in accounts receivable- HUD	25,048
(Increase)Decrease in accounts receivable- other	4,996
(Increase)Decrease in prepaid expenses	4,877
(Increase)Decrease in accrued interest receivable	14
Increase(Decrease) in accounts payable	2,812
Increase(Decrease) in deferred inflows	(539)
Increase(Decrease) in noncurrent liabilities- FSS	<u>6,812</u>
Total Adjustments	<u>59,014</u>
Net Cash Provided by Operating Activities	<u>\$ 58,695</u>

The accompanying notes are an integral part of these financial statements.

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fayette Metropolitan Housing 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 financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, 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 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.

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.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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

The accompanying financial statements have been prepared on the 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 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 periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Description of Programs

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

FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs (Continued)

Housing Choice Voucher Program (HCVP) - 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 the approved rent due to the owner for the dwelling unit and the occupant family's required 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 family 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 accordance with GAAP requires management to make estimates and assumptions that affect the 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 revenues 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 include all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Investments

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

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

Accounts Receivables – 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 \$40,509 at December 31, 2015.

Due From/To Other Programs

Inter-program receivables and payables as of December 31, 2015 on the Financial Data Schedule have been eliminated on the Statement of Net Position.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets over the Authority's capitalization threshold of \$500 are recorded at cost and depreciated using the straight-line method over an 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 asset life, are not capitalized. The following are the useful lives used for depreciation purposes:

Buildings- residential	27.5 years	Furniture	7 years
Buildings- 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 annually 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. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction 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 Board of Commissioners or through external restrictions imposed by creditors, grantors, or laws, or regulations of other governments.

2. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, surety company bonds deposited with the treasurer 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, 2015, the carrying amount of the Authority's deposits was \$163,395 and its bank balances were \$163,451. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2015, deposits totaling \$250,000 were covered by Federal Depository Insurance, and the Authority had no deposits not insured or collateralized.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the 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 and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

3. RESTRICTED CASH

The restricted cash balance of \$37,071 at December 31, 2015 represents the following:

FSS escrow	\$ 28,491
Excess HAP cash	5,786
Tenant security deposits	<u>2,794</u>
	<u>\$ 37,071</u>

4. CONTRACT SERVICES

The Authority contracts with:

- Fayette County 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 the community assistance funds and will compensate the Authority for housing expenses when vacancies occur in the properties.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

5. CAPITAL ASSETS

A summary of capital assets at December 31, 2015, by class is as follows:

	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 205,375	\$ -	\$ -	\$ 205,375
<u>Capital Assets Being Depreciated</u>				
Buildings	784,569	-	-	784,569
Furniture, Machinery, and Equipment- Dwelling	22,376	-	-	22,376
Furniture, Machinery, and Equipment- Administrative	114,804	-	-	114,804
Leasehold Improvements	<u>69,359</u>	<u>-</u>	<u>-</u>	<u>69,359</u>
Subtotal Capital Assets Being Depreciated	991,108	-	-	991,108
<u>Accumulated Depreciation</u>				
Buildings	(294,794)	(26,154)	-	(320,948)
Furniture, Machinery, and Equipment- Dwelling	(22,025)	(350)	-	(22,375)
Furniture, Machinery, and Equipment- Administrative	(99,314)	(8,623)	-	(107,937)
Leasehold Improvements	<u>(18,390)</u>	<u>(4,335)</u>	<u>-</u>	<u>(22,725)</u>
Total Accumulated Depreciation	<u>(434,523)</u>	<u>(39,462)</u>	<u>-</u>	<u>(473,985)</u>
Capital Assets Being Depreciated, net	<u>556,585</u>	<u>(39,462)</u>	<u>-</u>	<u>517,123</u>
Total Capital Assets, net	<u>\$ 761,960</u>	<u>\$ (39,462)</u>	<u>\$ -</u>	<u>\$ 722,498</u>

6. ECONOMIC DEPENDENCY

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

7. 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 fiscal year ending December 31, 2015 the Authority maintained comprehensive insurance coverage with private carriers for real property and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

8. 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 then to be rented to DODD clients for the next 15 years. As long as the Authority complies with this restriction, the grant funds are forgiven for each year that has expired. As of December 31, 2015, the Authority's long-term debt is as follows:

	<u>Bank Loan</u>	<u>DODD</u>	<u>Total</u>
Mortgage for 1120 S. Fayette St has been paid in full. The authority is still within the 15 year restricted timeframe of the DODD grant funds.	\$ -	\$ 5,407	\$ 5,407
Mortgage payable for property at 842 Lincoln Dr. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.50% for 20 years due on 5/8/29. Payments of principal and interest of \$569 are due monthly.	36,969	3,897	40,866
Mortgage payable for property at 364 Carolyn Rd. in Washington Court House, Ohio. The current structure of this loan is set for a fixed rate of 7.00% for 30 years due on 9/11/31. Payments of principal and interest of \$491 are due monthly.	65,303	5,525	70,828
Mortgage payable for property at 834 Lincoln Dr. in Washington Court House, Ohio. The current structure of this loan is set for a fixed rate of 7.00% for 30 years due on 9/11/31. Payments of principal and interest of \$491 are due monthly.	70,416	1,244	71,660
Mortgage payable for property at 1103 Golfview Dr. in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% for 20 years due on 5/8/29. Payments of principal and interest of \$660 are due monthly.	69,017	5,893	74,910
Mortgage payable for property at 594 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% for 20 years due on 5/8/29. Payments of principal and interest of \$612 are due monthly.	60,647	5,228	65,875
Mortgage payable for property at 1029 S. Fayette St. in Washington Court House, Ohio. The current structure of this loan is set for 6.5% for 20 years due on 5/8/29. Payments of principal and interest of \$647 are due monthly.	55,773	-	55,773
Mortgage payable for property at 388 Leslie Trace in Washington Court House, Ohio. The loan was refinanced on 5/8/09. The current structure of this loan is set for 6.5% for 20 years due on 5/8/29. Payments of principal and interest of \$393 are due monthly.	55,773	21,452	77,225
Mortgage payable for property at 1412 Lindberg Ave. in Washington Court House, Ohio. The current structure of this loan is set for 5.5% interest rate for 25 years due on 3/28/33. Payments of principal and interest of \$279 are due monthly.	82,965	38,286	121,251
Mortgage payable for property at 1254 Dayton Ave. NW in Washington Court House, Ohio. The current structure of this loan is set for 6.5% interest rate for 20 years due on 7/8/30. Payments of principal and interest of \$739 are due monthly.	<u>41,961</u>	<u>25,333</u>	<u>67,294</u>
Total Outstanding Debt	\$ 538,824	\$ 112,265	\$ 651,089
Less: Current Portion	<u>(24,011)</u>	<u>(22,644)</u>	<u>(46,655)</u>
Total Long-Term Debt	<u>\$ 514,813</u>	<u>\$ 89,621</u>	<u>\$ 604,434</u>

**FAYETTE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

8. LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

Description	Balance 12/31/2014	Issued	Sale of Property	Principal Retirement	Balance 12/31/2015	Current Portion
Loan Payable - Bank	\$ 560,901	\$ -	\$ -	\$ (22,078)	\$ 538,823	\$ 24,011
DODD Grant Funds Unexpired	138,556	-	-	(26,290)	112,266	22,645
TOTAL	<u>\$ 699,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,368)</u>	<u>\$ 651,089</u>	<u>\$ 46,656</u>

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

	Mortgage	DODD	Total
2016	\$ 24,011	\$ 22,645	\$ 46,656
2017	25,627	18,439	44,066
2018	27,352	15,982	43,334
2019	29,193	12,711	41,904
2020	31,158	12,711	43,869
Thereafter	<u>401,483</u>	<u>29,778</u>	<u>431,261</u>
Total	<u>\$ 538,823</u>	<u>\$ 112,266</u>	<u>\$ 651,089</u>

9. CONTINGENCIES

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

10. PRIOR PERIOD ADJUSTMENT

The Authority reviewed their administration fees for the Shelter Plus Care Program since initiation in fiscal year 2011. The fee has been calculated on a flat \$433 per month instead of the contract 8% of the programs Housing Assistance Payment expenses. An adjustment was made in the current fiscal year for \$5,596 in additional administration fees earned in fiscal years 2012, 2013, and 2014.

Fayette Metropolitan Housing Authority (OH056)

Washington CH, OH

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	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	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$51,581	\$13,070			\$61,673	\$126,324		\$126,324
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$33,249		\$1,028			\$34,277		\$34,277
114 Cash - Tenant Security Deposits					\$2,794	\$2,794		\$2,794
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$84,830	\$13,070	\$1,028	\$0	\$64,467	\$163,395	\$0	\$163,395
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$9,133		\$1,865	\$1,357		\$12,355		\$12,355
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous								
126 Accounts Receivable - Tenants								
126.1 Allowance for Doubtful Accounts -Tenants								
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery	\$40,509					\$40,509		\$40,509
128.1 Allowance for Doubtful Accounts - Fraud	-\$40,509					-\$40,509		-\$40,509
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$9,133	\$0	\$1,865	\$1,357	\$0	\$12,355	\$0	\$12,355
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets					\$56	\$56		\$56
143 Inventories								
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From	\$3,187					\$3,187	-\$3,187	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$97,150	\$13,070	\$2,893	\$1,357	\$64,523	\$178,993	-\$3,187	\$175,806

Fayette Metropolitan Housing Authority (OH056)

Washington CH, OH

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	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	Subtotal	ELIM	Total
161 Land					\$205,374	\$205,374		\$205,374
162 Buildings					\$784,569	\$784,569		\$784,569
163 Furniture, Equipment & Machinery - Dwellings					\$22,376	\$22,376		\$22,376
164 Furniture, Equipment & Machinery - Administration	\$97,478				\$17,326	\$114,804		\$114,804
165 Leasehold Improvements					\$69,359	\$69,359		\$69,359
166 Accumulated Depreciation	-\$91,719				-\$382,265	-\$473,984		-\$473,984
167 Construction in Progress								
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,759	\$0	\$0	\$0	\$716,739	\$722,498	\$0	\$722,498
171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$5,759	\$0	\$0	\$0	\$716,739	\$722,498	\$0	\$722,498
200 Deferred Outflow of Resources								
290 Total Assets and Deferred Outflow of Resources	\$102,909	\$13,070	\$2,893	\$1,357	\$781,262	\$901,491	-\$3,187	\$898,304
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$26,392				\$144	\$26,536		\$26,536
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable								
322 Accrued Compensated Absences - Current Portion								
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs		\$3,425				\$3,425		\$3,425
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government								
341 Tenant Security Deposits					\$2,794	\$2,794		\$2,794
342 Unearned Revenue					\$75	\$75		\$75
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$46,656	\$46,656		\$46,656
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities	\$28,491					\$28,491		\$28,491
346 Accrued Liabilities - Other								
347 Inter Program - Due To			\$1,830	\$1,357		\$3,187	-\$3,187	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$54,883	\$3,425	\$1,830	\$1,357	\$49,669	\$111,164	-\$3,187	\$107,977

Fayette Metropolitan Housing Authority (OH056)

Washington CH, OH

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	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	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$604,433	\$604,433		\$604,433
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other								
354 Accrued Compensated Absences - Non Current								
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$604,433	\$604,433	\$0	\$604,433
300 Total Liabilities	\$54,883	\$3,425	\$1,830	\$1,357	\$654,102	\$715,597	-\$3,187	\$712,410
400 Deferred Inflow of Resources								
508.4 Net Investment in Capital Assets	\$5,759	\$0	\$0	\$0	\$65,650	\$71,409		\$71,409
511.4 Restricted Net Position	\$4,758	\$0	\$1,028	\$0	\$2,794	\$8,580		\$8,580
512.4 Unrestricted Net Position	\$37,509	\$9,645	\$35	\$0	\$58,716	\$105,905		\$105,905
513 Total Equity - Net Assets / Position	\$48,026	\$9,645	\$1,063	\$0	\$127,160	\$185,894	\$0	\$185,894
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$102,909	\$13,070	\$2,893	\$1,357	\$781,262	\$901,491	-\$3,187	\$898,304

Fayette Metropolitan Housing Authority (OH056)

Washington CH, OH

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	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	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue					\$120,432	\$120,432		\$120,432
70400 Tenant Revenue - Other								
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$120,432	\$120,432		\$120,432
70600 HUD PHA Operating Grants	\$1,353,862	\$66,592	\$344,214	\$67,221		\$1,831,889		\$1,831,889
70610 Capital Grants								
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue								
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$157	\$6			\$36	\$199		\$199
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery	\$1,629					\$1,629		\$1,629
71500 Other Revenue	\$8,207				\$69,490	\$77,697		\$77,697
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted		\$34				\$34		\$34
70000 Total Revenue	\$1,363,855	\$66,632	\$344,214	\$67,221	\$189,958	\$2,031,880		\$2,031,880
91100 Administrative Salaries								
91200 Auditing Fees	\$3,368	\$204	\$924	\$115		\$4,611		\$4,611
91300 Management Fee	\$128,577	\$13,092	\$23,639	\$2,904	\$55,200	\$223,412		\$223,412
91310 Book-keeping Fee								
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative								
91600 Office Expenses	\$28,912	\$2,534	\$9,709	\$1,108	\$1,232	\$43,495		\$43,495
91700 Legal Expense								
91800 Travel	\$3,535	\$281	\$196	\$123		\$4,135		\$4,135
91810 Allocated Overhead								
91900 Other	\$7,825	\$622	\$2,186	\$271		\$10,904		\$10,904
91000 Total Operating - Administrative	\$172,217	\$16,733	\$36,654	\$4,521	\$56,432	\$286,557		\$286,557

Fayette Metropolitan Housing Authority (OH056)

Washington CH, OH

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	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	Subtotal	ELIM	Total
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other								
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0		\$0
93100 Water								
93200 Electricity								
93300 Gas								
93400 Fuel								
93500 Labor								
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0		\$0
94100 Ordinary Maintenance and Operations - Labor								
94200 Ordinary Maintenance and Operations - Materials and Other	\$11,296	\$897	\$3,156	\$392	\$5,057	\$20,798		\$20,798
94300 Ordinary Maintenance and Operations Contracts					\$24,035	\$24,035		\$24,035
94500 Employee Benefit Contributions - Ordinary Maintenance								
94000 Total Maintenance	\$11,296	\$897	\$3,156	\$392	\$29,092	\$44,833		\$44,833
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96110 Property Insurance					\$1,183	\$1,183		\$1,183
96120 Liability Insurance	\$1,917	\$152	\$536	\$66		\$2,671		\$2,671
96130 Workmen's Compensation								
96140 All Other Insurance								
96100 Total insurance Premiums	\$1,917	\$152	\$536	\$66	\$1,183	\$3,854		\$3,854

Fayette Metropolitan Housing Authority (OH056)

Washington CH, OH

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	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	Subtotal	ELIM	Total
96200 Other General Expenses								
96210 Compensated Absences								
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents					\$1,822	\$1,822		\$1,822
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$0	\$0	\$0	\$0	\$1,822	\$1,822		\$1,822
96710 Interest of Mortgage (or Bonds) Payable					\$36,499	\$36,499		\$36,499
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$36,499	\$36,499		\$36,499
96900 Total Operating Expenses	\$185,430	\$17,782	\$40,346	\$4,979	\$125,028	\$373,565		\$373,565
97000 Excess of Operating Revenue over Operating Expenses	\$1,178,425	\$48,850	\$303,868	\$62,242	\$64,930	\$1,658,315		\$1,658,315
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments	\$1,221,491	\$55,241	\$303,160	\$62,242	\$13,304	\$1,655,438		\$1,655,438
97350 HAP Portability-In								
97400 Depreciation Expense	\$8,253				\$31,209	\$39,462		\$39,462
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$1,415,174	\$73,023	\$343,506	\$67,221	\$169,541	\$2,068,465		\$2,068,465

Fayette Metropolitan Housing Authority (OH056)

Washington CH, OH

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	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	Subtotal	ELIM	Total
10010 Operating Transfer In								
10020 Operating transfer Out								
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$51,319	-\$6,391	\$708	\$0	\$20,417	-\$36,585		-\$36,585
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$104,941	\$16,036	\$355	\$0	\$106,743	\$228,075		\$228,075
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$5,596					-\$5,596		-\$5,596
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity	\$43,268					\$43,268		\$43,268
11180 Housing Assistance Payments Equity	\$4,758					\$4,758		\$4,758
11190 Unit Months Available	3564	204	900	142		4810		4810
11210 Number of Unit Months Leased	3166	184	884	142		4376		4376
11270 Excess Cash								
11610 Land Purchases								
11620 Building Purchases								
11630 Furniture & Equipment - Dwelling Purchases								
11640 Furniture & Equipment - Administrative Purchases								
11650 Leasehold Improvements Purchases								
11660 Infrastructure Purchases								
13510 CFFP Debt Service Payments								
13901 Replacement Housing Factor Funds								

**FAYETTE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
Supportive Housing for Persons with Disabilities	14.181	\$ 344,214
Section 8 New Construction and Substantial Rehabilitation	14.182	66,592
Shelter Plus Care	14.238	67,221
Section 8 Housing Choice Vouchers	14.871	<u>1,353,862</u>
Total Direct Awards		<u>1,831,889</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,831,889</u>
Total Federal Expenditures		<u>\$ 1,831,889</u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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



Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA

Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

Jay D. Seigneur, CPA
Kathy J. Lambert, CPA
Katie E. Guba, 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**

June 20, 2016

Members of the Board of Directors
Fayette Metropolitan Housing Authority

We have audited 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, the financial statements of the business-type activities of Fayette Metropolitan Housing Authority, Fayette County, Ohio, (the Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 20, 2016 .

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the internal control over financial reporting 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 Authority's financial statements are free of 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe



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

June 20, 2016

Members of the Board of Directors
Fayette Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

We have audited Fayette Metropolitan Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2015. The 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 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 each major program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control Over Compliance

Management of the 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 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 our 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 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 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 compliance 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**FAYETTE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Type auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Major Program(s):	CFDA #14.871 Section 8 Housing Choice Vouchers CFDA #14.181 Supportive Housing for Persons with Disabilities
Dollar Threshold: Type A/B Programs	\$750,000
Low Risk Auditee?	Yes

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

None.

3. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

FAYETTE METROPOLITAN HOUSING AUTHORITY

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 2, 2016**