

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY**

Single Audit

For the Fiscal Year Ended September 30, 2022

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Knox Metropolitan Housing Authority
201A W High St.
Mt Vernon, OH 43050-2427

We have reviewed the *Independent Auditor's Report* of the Knox Metropolitan Housing Authority, Knox County, prepared by Kevin L. Penn, Inc, for the audit period October 1, 2021 through September 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

May 10, 2023

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**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX, OHIO**

Table of Content

Independent Auditor's Report	1
<u>Prepared by Management:</u>	
Management's Discussion and Analysis	4
<u>Basic Financial Statements:</u>	
Statement of Net Position	12
Statement of Revenues and Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	16
<u>Required Supplementary Information:</u>	
Schedule of Authority's Proportionate Share of the Net Pension Liability/(Asset)	38
Schedule of Authority's Proportionate Share of the Net OPEB Liability/(Asset)	39
Schedule of Authority's Contributions - Pension	40
Schedule of Authority's Contributions - OPEB	41
Notes to the Required Supplementary Information	42
<u>Supplementary Information:</u>	
Financial Data Schedule – Balance Sheet	43
Financial Data Schedule – Statement of Revenue and Expenses	45
Schedule of Expenditures of Federal Awards	47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	48
Independent Auditors' Report on Compliance for each Major Program and Internal Control over Compliance Required by the Uniform Guidance	50
Schedule of Findings	52
Summary Schedule of Prior Audit Findings	53



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the business-type activities, of the Knox Metropolitan Housing Authority, Knox County, Ohio, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Knox Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Knox Metropolitan Housing Authority, Knox County, Ohio as of September 30, 2022, and the respective changes in financial position and, cash flows thereof and for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of the Knox Metropolitan Housing Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Knox Metropolitan Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Knox Metropolitan Housing Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Knox Metropolitan Housing Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I 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.

Supplementary information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Knox Metropolitan Housing Authority's basic financial statements. The Supplemental Financial Data Schedules and 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 are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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 my opinion, the Supplemental Financial Data Schedules and Schedule of Expenditures of Federal Awards is 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*, I have also issued my report dated April 17, 2023, on my consideration of the Knox Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my 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 the Knox 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 Knox Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.
Cleveland, Ohio

April 17, 2023

Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)

The Knox 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 11).

FINANCIAL HIGHLIGHTS

- During fiscal year 2022, the Authority’s net position increased by \$362,244. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position for fiscal year 2021 was \$355,589 and \$717,833 for fiscal year 2022.
- Revenues decreased by \$60,817 during fiscal year 2022, and were \$3,683,359 and \$3,622,542 for fiscal year 2021 and fiscal year 2022, respectively.
- Expenses decreased by \$98,385 during fiscal year 2022. Total expenses were \$3,358,683 and \$3,260,298 for fiscal year 2021 and fiscal year 2022, respectively.

USING THIS ANNUAL REPORT

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

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

Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(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.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 12-15) 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 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:

Net Investment 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 position Invested in Capital Assets, Net of Related Debt”, 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 (see page 15) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(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 accounting. The funds maintained by the Authority are required by the Department of Housing and Urban Development.

Business Type Activities:

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants’ rent at 30% of adjusted household income. CARES Act Funding is also included in this program. The CARES Act provided additional funding to housing authorities to prevent, prepare for, and respond to coronavirus, including to maintain normal operations during the period the program was impacted by coronavirus.

Supportive Housing for Persons with Disabilities/Mainstream Vouchers – these programs designated funding to assist clients with disabilities with a Housing Choice Voucher type Program.

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

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

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Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)

Statement of Net Position

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

STATEMENT OF NET POSITION

	<u>2022</u>	<u>2021</u>
Current and Other Noncurrent Assets	\$ 886,186	\$ 736,695
Capital Assets	<u>342,319</u>	<u>312,750</u>
Total Assets	1,228,505	1,049,445
Deferred Outflows of Resources	<u>52,137</u>	43,967
Current Liabilities	140,113	122,849
Non-Current Liabilities	<u>194,205</u>	<u>402,206</u>
Total Liabilities	334,318	525,055
Deferred Inflows of Resources	228,491	212,768
Net Position		
Net Investment in Capital Assets	244,199	200,959
Restricted	51,045	128,257
Unrestricted	<u>422,589</u>	<u>26,373</u>
Total Net Position	<u>\$ 717,833</u>	<u>\$ 355,589</u>

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

Major Factors Affecting the Statement of Net Position

Current and other non-current assets (primarily cash and cash equivalents) increased by \$149,491 due to timing of receipts and payments around fiscal year along with accounts receivable reported for fiscal year 2022 and changes in net pension and net OPEB assets reported between fiscal years. Total liabilities decreased by \$190,737 primarily due to a changes in net pension liability and outstanding debt. The net pension asset, net OPEB asset, and net pension liability fluctuated based on information provided by the retirement system's year end reporting and the Authority's allocated proportion.

Capital assets increased \$29,569 which represents net effect of the current fiscal year's additions, disposals and depreciation. For more detail see "Capital Assets and Debt Administration" on page 9.

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

Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position September 30, 2021		\$ 26,373
Results of Operations:	\$421,456	
Adjustments:		
Depreciation (1)	<u>31,341</u>	
Adjusted Results from Operations		452,797
Capital Purchases, net (2)		(42,910)
Proceeds from Lease (2)		10,150
Retirement of Debt (2)		<u>(23,821)</u>
Unrestricted Net Position September 30, 2022		\$ <u>422,589</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 and debt related to capital changes impact the component of Net Position named Net Investment of Capital Assets, and therefore must be deducted in this calculation.

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position September 30, 2021		\$128,257
Results of Operations:		
HAP Reserves Used	\$(77,255)	
Interest Revenue	<u>43</u>	
Adjusted Results from Operations		<u>(77,212)</u>
Restricted Net Position September 30, 2022		\$ <u>51,045</u>

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Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(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>2022</u>	<u>2021</u>
Revenues		
HUD PHA Operating Grants	\$3,399,969	\$3,536,536
Investment Income	682	128
Other Revenues	199,911	137,291
Gain on Disposal of Asset	18,000	-
Fraud Recovery	3,980	9,404
Total Revenue	<u>3,622,542</u>	<u>3,683,359</u>
Expenses		
Administrative	408,670	434,721
Utilities	17,562	12,677
Maintenance and Operations	10,492	14,216
General and Insurance	12,531	7,412
Pension & OPEB	(137,125)	(104,640)
Housing Assistance Payments	2,911,333	2,960,322
Interest Expense	5,494	6,097
Depreciation	31,341	27,878
Total Expenses	<u>3,260,298</u>	<u>3,358,683</u>
Change in Net Position	362,244	324,676
Net Position at October 1	<u>355,589</u>	<u>30,913</u>
Net Position at September 30	<u>\$ 717,833</u>	<u>\$ 355,589</u>

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

Operating Grants decreased by \$136,567 due to HUD funding changes and changes in grant programs awarded to the Authority during fiscal year 2022. While Housing Assistance Payments slightly decreased \$48,989 during fiscal year 2022, this resulted in use of HAP reserves to cover any funding deficits. Consistency in HAP is expected based on minimal fluctuation in units months leased between fiscal year 2021 and fiscal year 2022.

Administrative expenses include salaries and related benefits, along with other administrative expenses such as audit fees and office expenses. The decrease primarily relates to changes in employee benefits along with staffing changes. Fluctuations in the pension and OPEB expenses are the result of recording GASB 68 and 75 accruals. Most other expenses fluctuated moderately due to inflation and current fiscal year needs.

Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)

Capital Assets

As of September 30, 2022, the Authority had \$342,319 invested in Capital Assets as reflected in the following schedule, which represents a net increase (additions exceeded by depreciation).

CAPITAL ASSETS AT FISCAL YEAR END
(NET OF DEPRECIATION)

	Business-type Activities	
	<u>2022</u>	<u>2021</u>
Land	\$ 65,250	\$ 65,250
Building	324,920	324,920
Furniture, Fixtures, and Equipment	92,082	80,077
Leasehold Improvements	55,609	55,609
Leases	10,150	0
Construction in Progress	14,500	0
Accumulated Depreciation & Amortization	(220,192)	(213,106)
Total	\$ <u>342,319</u>	\$ <u>312,750</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3 of the notes to the basic financial statements.

CHANGE IN CAPITAL ASSETS

	Business-type Activities
Beginning Balance	\$ 312,750
Additions, net	60,910
Depreciation & Amortization	(31,341)
Ending Balance	\$ <u>342,319</u>

Changes to capital assets for fiscal year 2022 related to the purchase of equipment and vehicle along with addition of the copier lease based on implementation of GASB 87. There was a disposal of capital assets during 2022 which include a vehicle, which was fully depreciated (used as trade-in for new vehicle).

Knox Metropolitan Housing Authority
KNOX COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)

Debt Outstanding

During fiscal year 2013, the Authority entered into a mortgage note for \$225,000 to purchase the Authority's administration building. As of September 30, 2022, the Authority had \$92,170 in debt (mortgage loan) outstanding as compared to \$111,971 at September 30, 2021. The decrease of \$19,801 represents the current fiscal year debt repayment. For further information related to fiscal year 2022 debt activity, see Note 9.

During fiscal year 2022, the Authority entered into a lease agreement for the use of a copier. The initial lease liability was \$10,150 and outstanding balance as of September 30, 2022, is \$5,950. Lease liability is presented in detail in Note 9.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.
- Unknown financial and operational impacts as well as impacts to federal programs as the result of the COVID-19 pandemic.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Shannon Treisch, Executive Director for the Knox Metropolitan Housing Authority, at (740) 397-8787. Specific requests may be submitted to the Authority at 201A West High Street, Mount Vernon, Ohio 43050.

KNOX METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 2)	\$ 676,784
Accounts Receivable - HUD	12,625
Total Current Assets	<u>689,409</u>

Non-Current Assets

Restricted Cash (Note 1 & 2)	109,340
Capital Assets: (Note 5)	
Nondepreciable Capital Assets	79,750
Depreciable Capital Assets	256,619
Right of Use Assets – Lease	10,150
Accumulated Amortization – Lease	<u>(4,200)</u>
Total Capital Assets	342,319
Net Pension Assets	34,472
Net OPEB Assets	<u>52,965</u>
Total Non-Current Assets	87,437

Deferred Outflow of Resources

Pension	<u>52,137</u>
Total Deferred Outflow Resources	<u>52,137</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 1,280,642</u></u>

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

KNOX METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 6,304
Accrued Wages and Payroll Taxes	13,903
Accrued Compensated Absences	14,923
Unearned Revenue	8,613
Current Portion of Lease Liability	4,200
Current Portion of Mortgage Note	92,170
Total Current Liabilities	<u>140,113</u>

Non-Current Liabilities

Family Self-Sufficiency Deposit Payable	58,295
Lease Liability - Less Current Portion	1,750
Net Pension Liability	<u>134,160</u>
Total Non-Current Liabilities	<u>194,205</u>
Total Liabilities	<u>\$ 334,318</u>

Deferred Inflow of Resources

Pension	\$ 173,768
OPEB	<u>54,723</u>
Total Deferred Inflow of Resources	<u>\$ 228,491</u>

Net Position

Net Investment in Capital Assets	\$ 244,199
Restricted	51,045
Unrestricted	<u>422,589</u>
Total Net Position	<u>\$ 717,833</u>

TOTAL LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$ 1,280,642</u>
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The accompanying notes are an integral part of the financial statements.

KNOX METROPOLITAN HOUSING AUTHORITY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 3,399,969
Fraud Recovery	3,980
Other Revenue	199,911
Total Operating Revenue	<u>3,603,860</u>

Operating Expenses:

Housing Assistance Payments	2,911,333
Administrative	408,670
Utilities and Maintenance	17,562
Material and Operations	10,492
Pension & OPEB Expense	(137,125)
Depreciation and Amortization Expense	31,341
General and Insurance	12,531
Total Operating Expenses	<u>3,254,804</u>

Operating Income (Loss)	349,056
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Non-Operating Revenues (Expenses)

Interest Income	682
Gain on Disposal of Asset	18,000
Interest Expense	(5,494)
Total Non-Operating Revenues (Expenses)	<u>13,188</u>

Change in Net Position	362,244
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Net Position - Beginning of Year	<u>355,589</u>
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Net Position - End of Year	<u>\$ 717,833</u>
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The accompanying notes are an integral part of the financial statements.

KNOX METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Cash Flows From Operating Activities:

Cash received from HUD and other grantor agencies	\$ 3,387,344
Cash received from other sources	203,891
Cash payments to employees for services	(337,948)
Cash payments for goods or services - HUD	(2,911,333)
Cash payments for goods or services	<u>(175,094)</u>
Net Cash Provided (Used) by Operating Activities	166,860

Cash Flows From Capital and Related Activities:

Principal paid on Mortgage Note	(19,621)
Principal paid on Lease	(4,200)
Interest paid on Mortgage Note	(5,216)
Interest paid on Lease	(278)
Proceeds from Lease Liability	10,150
Capital Asset Additions	<u>(42,910)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(62,075)

Cash Flows From Investing Activities:

Interest Income	<u>682</u>
Net Cash Provided (Used) by Investing Activities	682
Increase (Decrease) in Cash and Cash Equivalents	105,467
Cash and Cash Equivalents - Beginning of Year	<u>680,657</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 786,124</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:

Operating Income (Loss)	\$ 349,056
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	31,341
(Increase) decrease in:	
Accounts Receivable	(12,625)
Net OPEB Asset	(20,932)
Net Pension Asset	(10,467)
Deferred Outflow of Resources	(8,170)
Increase (decrease) in:	
Accounts Payable	(11,268)
Compensated Absences	(10,752)
Accrued Expenses	(15,213)
Accrued Pension	(113,279)
Deferred Inflow of Resources	15,723
Unearned Revenue	(31,430)
Other Liabilities	<u>4,876</u>
Net cash used in operating activities	<u><u>\$ 166,860</u></u>

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

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Excluded Entity

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

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

The Knox Housing Services, Inc. was created in March of 2004 and received its 501(c)(3) status letter on March 3, 2004.

The responsibility of the Authority was to make application to the State of Ohio to establish the organization and to obtain section 501(c)(3) non-profit exemption status. For fiscal year-end 2022, the Knox Housing Services, Inc. has been excluded from reporting as it is not considered to be a component unit of the Authority.

Fund Accounting

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

Proprietary Fund Types:

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

Enterprise Fund — The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of Net Position. The statement of revenues, expenses and changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total Net Position. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

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

Measurement Focus/Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis. GASB Statement No. 34 (as amended by GASB Statement No. 63) requires the following, which collectively make up the Authority's basic financial statements:

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Measurement Focus/Basis of Accounting (continued)

Basic Financial Statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).

Imposed nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).

Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.

Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting Net Position, equity, or fund balance as restricted.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Accounting and Reporting for Nonexchange Transactions (continued)

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

Deferred inflow/outflow of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 6 and 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. The deferred inflows of resources related to pension and OPEB are explained in Note 6 and 7.

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

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

KNOX METROPOLITAN HOUSING AUTHORITY
 KNOX COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Capital Assets

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

<u>Description</u>	<u>Estimated Useful Lives - Years</u>
Equipment, Vehicles, and Furniture	3 - 7
Buildings & Improvements	15 – 27.5
Leasehold Improvements	15

Total depreciation expense for the 2022 fiscal year was \$,27,141.

Compensated Absences

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

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year-end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislature at September 30, 2022.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Estimates

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

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal-year end are recorded as prepaid items via the consumption method. The Authority did not report prepaid items at September 30, 2022.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency Deposits of \$58,295, FSS Forfeitures of \$6,486, and Section 8 Housing Choice Vouchers of \$44,559. See Note 3 for additional information concerning Family Self-Sufficiency restricted assets.

Operating Revenues and Expenses

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

Accounts Receivable

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

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied.

2. CASH AND CASH EQUIVALENTS

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

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

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

2. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents included in the Authority's cash position at September 30, 2022 are as follows:

	<u>Checking</u>	<u>Savings</u>	<u>Total</u>
Demand Deposits:			
Bank balance	\$ 190,059	\$613,191	\$ 803,250
Items-in-transit	<u>(17,126)</u>	<u>-</u>	<u>(17,126)</u>
Carrying balance	<u>\$ 172,933</u>	<u>\$613,191</u>	<u>\$786,124</u>

At September 30, 2022, the carrying amount of all Authority's deposits was \$786,124 and the bank balance of all Authority deposits was \$803,250. Of the bank balance, \$250,000 was covered by the FDIC and \$553,250 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. All statutory requirements for the deposit of money have been followed.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2022, the Authority's balance of \$553,250 was covered by pledged securities held by the financial institution as collateral.

Based on the Authority having only demand deposits at September 30, 2022, the Authority is not subject to interest rate, credit, or concentration risks.

3. FSS ESCROW PAYABLE

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

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2022, the Authority purchased commercial insurance for public officials and employment practices liability for general insurance, property, crime, electronic equipment, and automobile insurance.

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

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

5. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2022:

	Beginning Balance 9/30/2021	Additions	Disposals	Ending Balance 9/30/2022
Capital Assets not depreciated				
Land	\$ 65,250			\$ 65,250
Construction in Progress		14,500		14,500
Total Capital Assets not Depreciated	65,250	14,500	-	79,750
Capital Assets depreciated				
Building	324,920			324,920
Equipment	80,077	36,260	(24,255)	92,082
Leasehold Improvement	55,609			55,609
Leases	-	10,150		10,150
Total Capital Assets Depreciated	460,606	46,410	(24,255)	482,761
Accumulated Depreciation				
Building	(104,368)	(11,815)		(116,183)
Equipment	(73,324)	(12,965)	24,255	(62,034)
Leasehold Improvement	(35,414)	(2,361)		(37,775)
Total Accumulated Depreciation	(213,106)	(27,141)	24,255	(215,992)
Accumulated Amortization				
Leases	-	(4,200)		(4,200)
Total Accumulated Amortization	-	(4,200)	-	(4,200)
Total Capital Assets Depreciated - Net	247,500	15,069	-	262,569
Total Capital Assets - Net	\$ 312,750	\$ 29,569	\$ -	\$ 342,319

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS

Net Pension Liability/(Asset)

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

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

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

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

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

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

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

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

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

Age-and-Service Defined Benefits – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 35 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Refer to the age-and-service tables located in the OPERS 2014 ACFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the members' FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Authority is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the PERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the contribution rate consistent across all three plans.

The Authority's contractually required pension contribution to OPERS was \$35,640 for fiscal year 2022. Of this amount \$0 is reported within accrued wages and payroll taxes.

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

The net pension liability/(asset) was measured as of December 31, 2021, and the total pension liability(asset) used to calculate the net pension liability(asset) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability/(asset) was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>Traditional Plan</u>	<u>Combined Plan</u>
Proportionate Share of the Net Pension Liability/(Asset)	\$134,160	(\$34,472)
Proportion of the Net Pension Liability/(Asset) Current Measurement Date	0.0015420%	0.0087490%
Change in Proportionate Share from Prior Measurement Date	(0.0001290%)	0.0004330%
Pension Expense	(\$22,429)	(\$1,244)

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	Total
Deferred Outflows of Resources			
Change in assumptions	\$16,777	\$1,732	\$18,509
Difference between expected and actual experience	6,839	214	7,053
Authority contributions subsequent to the measurement date	22,589	3,986	26,575
Total Deferred Outflows of Resources	<u>\$46,205</u>	<u>\$5,932</u>	<u>\$52,137</u>
Deferred Inflows of Resources			
Difference between expected and actual experience	\$2,943	\$3,856	\$6,799
Net difference between projected and actual investment earnings	159,579	7,390	166,969
Total Deferred Inflows of Resources	<u>\$162,522</u>	<u>\$11,246</u>	<u>\$173,768</u>

\$26,575 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	Traditional Plan	Combined Plan	Total
2023	(\$23,310)	(\$2,273)	(\$25,583)
2024	(23,310)	(2,273)	(25,583)
2025	(28,454)	(1,798)	(30,252)
2026	(31,916)	(1,478)	(33,394)
2027	<u>(31,916)</u>	<u>(1,478)</u>	<u>(33,394)</u>
Total	<u>(\$138,906)</u>	<u>(\$9,300)</u>	<u>(\$148,206)</u>

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

Actuarial Information	Traditional Pension Plan	Combined Plan	Member-Directed Plan
Measurement & Valuation Date	December 31, 2021	December 31, 2021	December 31, 2021
Experience Study	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age
Actuarial Assumptions			
Investment Rate of Return	6.9%	6.9%	6.9%
Wage Inflation	2.75%	2.75%	2.75%
Projected Salary increases	2.75%-10.75% (includes wage inflation)	2.75%-8.25% (includes wage inflation)	2.75%-8.25% (includes wage inflation)
Cost of living Adjustments	3.00% Simple	3.00% Simple	3.00% Simple

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3 percent for 2021.

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 6.9 percent, as well as what the Authority's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

Authority's Net Pension Liability/(Asset)	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Traditional	\$353,719	\$134,160	(\$48,542)
Combined	(25,722)	(34,472)	(41,295)

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Allocation	Real Rate of Return
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
TOTAL	100.00%	4.21%

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2021, the average of the expected remaining service lives of all employees calculated by OPERS external actuaries for the Traditional Pension Plan was 2.4022 years, for the Combined Plan was 8.2641 years, and for the Member Directed Plan was 10.3928 years. Employers should use these amounts when calculating elements of pension expense subject to amortization requirements as defined in GASB 68 and reported in the Schedule of Collective Pension Amounts.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

7. OTHER POST EMPLOYMENT BENEFITS

Net OPEB Liability/(Asset)

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

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

Ohio Revised Code limits the Authority’s obligation for this liability/(asset) to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees’ services in exchange for compensation including OPEB. GASB 75 assumes the liability/(asset) is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium.

The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – OPERS

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS). OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple-employer defined benefit plan with defined contribution features.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through September 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of September 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans.

Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members.

Prior to January 1, 2015, 10 or more years of service was required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2021, measurement date health care valuation.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2022, Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care. With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage.

The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

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

The net OPEB liability/(asset) for OPERS was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on The Authority's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Proportionate Share of the Net OPEB Liabilities/(Asset)	(\$52,965)
Proportion of the Net OPEB Liabilities/(Asset)	(0.0016910%)
Change in Proportion from Prior Measurement Date	(0.0001070%)
OPEB Expense	(\$44,920)

At September 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 25,250
Changes of assumptions	21,440
Differences between expected and actual experience	<u>8,033</u>
Total Deferred Inflows of Resources	<u>\$ 54,723</u>

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

Fiscal Year Ending Sept 30:	OPEB Net Deferred Inflows/(Outflows) of <u>Resources</u>
2023	(\$16,724)
2024	(16,724)
2025	(11,175)
2026	(5,050)
2027	<u>(5,050)</u>
TOTAL	<u>(\$54,723)</u>

Actuarial Assumptions – OPERS

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability(asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used the following actuarial assumptions and methods, reflecting experience study results, applied to all prior periods included in the measurement:

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions – OPERS (continued)

Wage Inflation	2.75%
Future Salary Increases, including inflation	2.75% - 10.75%
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	1.84%
Health Care Cost Trend Rate	5.5% initial, 3.50% ultimate in 2034
Actuarial Cost Method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females were then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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

Average Remaining Service Life

GASB 75 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in OPEB expense over the average remaining service life of all employees provided with coverage through the health care plans (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2021, the average of the expected remaining service lives of all employees calculated by OPERS external actuaries was 2.5246 years. Employers should use this amount when calculating elements of OPEB expense subject to amortization requirements as defined in GASB 75 and reported in the Schedule of Collective OPEB Amounts.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
REITs	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
TOTAL	100.00%	3.45%

Discount Rate: A single discount rate of 6.00 percent was used to measure the OPEB liabilities/(asset) on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of Authority’s Proportionate Share of the Net OPEB Liabilities/(Asset) to Changes in the Discount Rate: The following table presents the Authority’s proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority’s proportionate share of the net OPEB liabilities/(asset) would be if it were calculated using a discount rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease <u>(5.00%)</u>	Discount Rate <u>(6.00%)</u>	1% Increase <u>(7.00%)</u>
Authority’s Net OPEB Liabilities/(Asset)	\$ (31,148)	\$ (52,965)	\$ (71,073)

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Sensitivity of the Authority’s Proportionate Share of the Net OPEB Liabilities/(Asset) to Changes in the Health Care Cost Trend Rate: Changes in the health care cost trend rate may also have a significant impact on the net OPEB liabilities/(asset). The following table presents the net OPEB liabilities/(asset) calculated using the assumed trend rates, and the expected net OPEB liabilities/(asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Authority’s Net OPEB Liabilities/(Asset)	\$ (53,537)	\$ (52,965)	\$ (52,286)

8. COMPENSATED ABSENCES

Employees earn annual vacation and sick leave per anniversary year, based on years of service. Annual vacation leave is to be used in the year of service earned; three weeks of vacation hours earned and unused may be carried over to the next fiscal year. Vacation leave may be accumulated and is paid out based on Board policy upon termination or retirement. As of September 30, 2022, the accrual for compensated absences totaled \$14,923 and has been included in the accompanying Statement of Net Position. The Authority considers the entire liability balance to be due in one year.

9. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities at September 30, 2022:

<u>Description</u>	<u>Balance</u> <u>09/30/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/22</u>	<u>Due Within</u> <u>One Year</u>
Mortgage Note Payable	\$111,791	\$ -	\$(19,621)	\$ 92,170	\$ 92,170
Net Pension Liability	247,439	-	(113,279)	134,160	-
Lease Liability	-	10,150	(4,200)	5,950	4,200
Family Self-Sufficiency Payable	53,419	28,000	(23,124)	58,295	-
Compensated Absence Payable	<u>25,675</u>	<u>-</u>	<u>(10,752)</u>	<u>14,923</u>	<u>14,923</u>
Total	<u>\$438,324</u>	<u>\$ 38,150</u>	<u>\$(170,976)</u>	<u>\$305,498</u>	<u>\$111,293</u>

See Notes 6 and 7 for information on the Authority’s net pension and OPEB liabilities.

In November 2012, the Authority entered into a mortgage note in the amount of \$225,000 to purchase the Authority’s administration building. The note requires 119 monthly installments of \$1,487.47, along with a final balloon payment of \$141,592.82 due on November 14, 2022, including interest at 4.950% per annum; there will be an option to refinance the loan rather than making the balloon payment, which the Authority intends to exercise this option. During fiscal year 2022, the Authority made additional payments to principal to reduce the loan liability. At September 30, 2022, the Authority had an outstanding mortgage note payable of \$92,170. The aggregate amounts of long-term debt maturities for the remaining fiscal years following fiscal year 2022 are as follows:

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

9. LONG-TERM LIABILITIES (continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$92,170	\$ 754	\$92,924
Total	<u>\$92,170</u>	<u>\$ 754</u>	<u>\$92,924</u>

The Authority entered into a sixty-month lease for a postage meter which requires monthly payments of \$350 beginning March 2019. The equipment is being amortized over the life of the lease. The imputed interest rate on the lease is 4.50%. With implementation of GASB 87 for fiscal year 2022, the lease liability was added at the remaining value of the lease liability with corresponding asset being included with capital asset additions.

Lease commitments for fiscal years ending September 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,200	\$ 177	\$ 4,377
2024	<u>1,750</u>	<u>19</u>	<u>1,769</u>
Total	<u>\$ 5,950</u>	<u>\$ 196</u>	<u>\$ 6,146</u>

10. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2022.

B. Litigation

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

C. COVID-19

The United States and the State of Ohio declared a statement of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will likely impact subsequent periods of the Authority. The investments of the pension and other postemployment benefit plan in which the Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

11. CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 87, *Leases*, enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Authority's financial statements; however, there was no effect on the beginning net position.

KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(CONTINUED)

12. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through April 17, 2023, the date on which the financial statements were available to be issued.

13. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Knox Metropolitan Housing Authority (the Authority) under programs of the federal government for the fiscal year ended September 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Indirect Cost Rate

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

14. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2022, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis. The audited version of the entity wide balance sheet summary and entity wide revenue and expense summary are included as supplemental data. The schedules are presented in the manner prescribed by U. S. Department of Housing and Urban Development.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
LAST NINE FISCAL YEARS**

Traditional Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion									
of the Net Pension Liability	0.001542%	0.001671%	0.001335%	0.001399%	0.001682%	0.001158%	0.000958%	0.001212%	0.001212%
Authority's Proportionate Share									
of the Net Pension Liability	\$ 134,160	\$ 247,439	\$ 263,872	\$ 383,158	\$ 263,873	\$ 262,962	\$ 165,938	\$ 146,181	\$ 142,879
Authority's Covered Employee Payroll	\$ 190,857	\$ 206,914	\$ 201,300	\$ 188,941	\$ 222,303	\$ 149,738	\$ 119,294	\$ 148,536	\$ 151,491
Authority's Proportionate Share									
of the Net Pension Liability									
as a percentage of its									
covered employee payroll	70.29%	119.59%	131.08%	202.79%	118.70%	175.61%	139.10%	98.41%	94.32%
Plan Fiduciary Net Position									
as a percentage of the total									
Pension Liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion									
of the Net Pension Liability	0.008749%	0.008316%	0.007716%	0.009698%	0.014499%	0.034206%	0.043120%	0.043214%	0.043214%
Authority's Proportionate Share									
of the Net Pension Liability	\$ (34,472)	\$ (24,005)	\$ (16,090)	\$ (10,845)	\$ (19,738)	\$ (19,038)	\$ (20,120)	\$ (16,638)	\$ (4,534)
Authority's Covered Employee Payroll	\$ 190,857	\$ 206,914	\$ 201,300	\$ 34,418	\$ 59,739	\$ 133,149	\$ 156,935	\$ 152,182	\$ 155,389
Authority's Proportionate Share									
of the Net Pension Liability									
as a percentage of its									
covered employee payroll	-18.06%	-11.60%	-7.99%	-31.51%	-33.04%	-14.30%	-12.82%	-10.93%	-2.92%
Plan Fiduciary Net Position									
as a percentage of the total									
Pension Liability	169.88%	157.67%	126.64%	126.64%	137.28%	116.55%	116.90%	114.83%	104.33%

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

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

See accompanying notes to the required supplementary information.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
LAST SIX FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.001691%	0.001798%	0.001471%	0.001589%	0.001990%	0.002050%
Authority's Proportionate Share of the Net OPEB Liability (Asset)	\$ (52,965)	\$ (32,033)	\$ 203,183	\$ 207,167	\$ 216,099	\$ 207,057
Authority's Covered Employee Payroll	\$ 190,857	\$ 206,914	\$ 201,300	\$ 223,359	\$ 281,682	\$ 282,887
Authority's Proportionate Share of the Net OPEB Liability as a percentage of its covered employee payroll	-27.61%	-15.48%	100.94%	92.75%	76.72%	73.19%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	47.80%	43.33%	47.80%	43.33%	54.14%	68.52%

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

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

See accompanying notes to the required supplementary information.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PENSION
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required employer contribution										
Traditional Plan	\$31,327	\$22,712	\$24,623	\$ 23,339	\$ 27,997	\$ 27,937	\$ 14,983	\$15,247	\$ -	\$ -
Combined Plan	<u>4,313</u>	<u>4,008</u>	<u>4,345</u>	<u>4,789</u>	<u>6,424</u>	<u>8,025</u>	<u>18,735</u>	<u>18,647</u>		
Total Required Contributions	<u>\$35,640</u>	<u>\$26,720</u>	<u>\$28,968</u>	<u>\$ 28,182</u>	<u>\$ 34,421</u>	<u>\$ 35,962</u>	<u>\$ 33,718</u>	<u>\$33,894</u>	<u>\$ 39,567</u>	<u>\$33,224</u>
Contributions in relation to the contractually required contribution	<u>\$(35,640)</u>	<u>\$(26,720)</u>	<u>\$(28,968)</u>	<u>\$(28,182)</u>	<u>\$(34,421)</u>	<u>\$(35,962)</u>	<u>\$(33,718)</u>	<u>\$(33,894)</u>	<u>\$(39,567)</u>	<u>\$(33,224)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered-employee payroll										
Traditional Plan	\$223,764	\$162,229	\$175,879	\$167,093	\$203,615	\$219,114	\$124,858	\$127,058	\$ -	\$ -
Combined Plan	<u>30,807</u>	<u>28,629</u>	<u>31,036</u>	<u>34,207</u>	<u>46,720</u>	<u>62,941</u>	<u>156,125</u>	<u>155,392</u>		
Total Covered Payroll	<u>\$254,571</u>	<u>\$190,858</u>	<u>\$206,915</u>	<u>\$201,300</u>	<u>\$250,335</u>	<u>\$282,055</u>	<u>\$280,983</u>	<u>\$282,450</u>	<u>\$304,353</u>	<u>\$309,057</u>
Contribution as a percentage of covered-employee payroll										
Traditional Plan	14.00%	14.00%	14.00%	14.00%	13.75%	12.75%	12.00%	12.00%	13.00%	10.75%
Combined Plan	14.00%	14.00%	14.00%	14.00%	13.75%	12.75%	12.00%	12.00%	13.00%	10.75%

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

See accompanying notes to the required supplementary information.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - OPEB
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required employer contribution										
OPEB	\$ -	\$ -	\$ -	\$ -	\$ 760	\$ 3,594	\$ 5,620	\$ 5,649	\$ 3,044	\$ 10,044
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ (760)	\$ (3,594)	\$ (5,620)	\$ (5,649)	\$ (3,044)	\$ (10,044)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered-employee payroll	\$ 254,571	\$ 190,858	\$ 206,914	\$ 201,300	\$ 250,335	\$ 282,055	\$ 280,983	\$ 282,450	\$ 304,353	\$ 309,057
Contribution as a percentage of covered-employee payroll										
OPEB	0.00%	0.00%	0.00%	0.00%	0.30%	1.27%	2.00%	2.00%	1.00%	3.25%

See accompanying notes to the required supplementary information.

**KNOX METROPOLITAN HOUSING AUTHORITY
KNOX COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022
(UNAUDITED)**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2022.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%.

Net OPEB Liability/Asset

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2022.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034.

Knox Metropolitan Housing Authority
Statement of Net Position
September 30, 2022

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Business Activities	Family Self- Sufficiency	Mainstream Vouchers
111	Cash - Unrestricted	\$ 409,254	\$ 267,530	\$ -	\$ -
113	Cash – Restricted	44,559		58,295	
100	Total Cash	453,813	267,530	58,295	-
121	Accounts Receivable - PHA Projects	2,154			
122	Accounts Receivable - HUD Other Projects				10,471
128	Accounts Receivable - Fraud Recovery	7,743			
128.1	Allow Doubtful Accounts	(7,743)			
120	Net Total Receivables	2,154	-	-	10,471
144	Interprogram Due From		10,471		
150	Total Current Assets	455,967	278,001	58,295	10,471
161	Land		65,250		
162	Buildings		324,920		
164	F/E/M Admin.	107,092			
165	Lease Improvements	10,150	55,099		
166	Accum. Depreciation and Amortization	(66,855)	(153,337)		
160	Net Fixed Assets	50,387	291,932	-	-
174	Other Assets	65,578	21,859		
200	Deferred Outflow of Resources	39,103	13,034		
290	Total Assets and Deferred Outflow of Resources	\$ 611,035	\$ 604,826	\$ 58,295	\$ 10,471
312	A/P <= 90 days	\$ 6,304	\$ -	\$ -	\$ -
321	Accrued Wage/Payroll Taxes Payable	13,903			
322	Accrued Comp Abs - current	14,923			
342	Unearned Revenue	8,613			
343	Current Portion of Long-Term Debt	4,200	92,170		
347	Interprogram Due To				10,471
310	Total Current Liabilities	47,943	92,170	-	10,471
351	Long-Term Debt, Net of Current	1,750			
353	Non-current Liabilities - Other			58,295	
357	Accrued Pension and OpEB Liabilities	100,620	33,540		
	Total Liabilities	150,313	125,710	58,295	10,471
400	Deferred Inflow of Resources	171,368	57,123		
508.1	Net Investment in Capital Assets	44,437	199,762		
511.1	Restricted Net Position	44,559			
512.1	Unrestricted Net Position	200,358	222,231		
513	Total Equity/Net Position	289,354	421,993	-	-
600	Total Liab., Deferred Inflows of Resources and Equity	\$ 611,035	\$ 604,826	\$ 58,295	\$ 10,471

See Auditor's Report.

Knox Metropolitan Housing Authority
Statement of Net Position
September 30, 2022

Financial Data Schedule Submitted to U.S. Department of HUD (continued)

Line item	Account Description	FSS Escrow		Total
		Forfeiture	Elimination	
111	Cash - Unrestricted	\$ -	\$ -	\$ 676,784
113	Cash – Restricted	6,486		109,340
100	Total Cash	6,486	-	786,124
121	Accounts Receivable - PHA Projects			2,154
122	Accounts Receivable - HUD Other Projects			10,471
128	Accounts Receivable - Fraud Recovery			7,743
128.1	Allow Doubtful Accounts			(7,743)
120	Net Total Receivables	-	-	12,625
144	Other Assets		(10,471)	-
150	Total Current Assets	6,486	(10,471)	798,749
161	Land			65,250
162	Buildings			324,920
164	F/E/M Admin.			107,092
165	Lease Improvements			65,249
166	Accum. Depreciation and Amortization			(220,192)
160	Net Fixed Assets	-	-	342,319
174	Other Assets			87,437
200	Deferred Outflow of Resources			52,137
290	Total Assets and Deferred Outflow of Resources	\$ 6,486	\$ (10,471)	\$ 1,280,642
312	A/P <= 90 days	\$ -	\$ -	\$ 6,304
321	Accrued Wage/Payroll Taxes Payable			13,903
322	Accrued Comp Abs - current			14,923
342	Unearned Revenue			8,613
343	Current Portion of Long-Term Debt			96,370
347	Interprogram Due To		(10,471)	-
310	Total Current Liabilities	-	(10,471)	140,113
351	Long-Term Debt, Net of Current			1,750
353	Non-current Liabilities - Other			58,295
357	Accrued Pension and OpEB Liabilities			134,160
	Total Liabilities	-	(10,471)	334,318
400	Deferred Inflow of Resources			228,491
508.1	Net Investment in Capital Assets			244,199
511.1	Restricted Net Position	6,486		51,045
512.1	Unrestricted Net Position			422,589
513	Total Equity/Net Position	6,486	-	717,833
600	Total Liab., Deferred Inflows of Resources and Equity	\$ 6,486	\$ (10,471)	\$ 1,280,642

See Auditor's Report.

Knox Metropolitan Housing Authority
Statement of Revenue and Expenses
September 30, 2022

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Business Activities	Family Self- Sufficiency	Mainstream Vouchers
70600	HUD PHA Operating Grants	\$ 3,006,796	\$ -	\$ 21,000	\$ 343,743
714	Fraud Recovery - PHA	3,980			
715	Other Revenue		213,945		
716	Gain or Loss on Sale of Capital Assets	18,000			
720	Investment Income - Restricted	43	639		
700	TOTAL REVENUE	3,028,819	214,584	21,000	343,743
911	Admin. Salaries	187,426	26,207	18,425	29,563
912	Audit	5,865	2,432		1,057
915	Employee Benefits	(94,560)	23,086	2,575	8,102
916	Office Expenses	49,761	2,055		4,872
917	Legal		269		
	Total Operating - Admin.	148,492	54,049	21,000	43,594
931	Water		1,330		
932	Electricity		9,475		
933	Gas		6,757		
930	Total Utilities	-	17,562	-	-
942	Ordinary Maint. and Operations - Materials and Other	2,000	8,492		
	Total Maint.	2,000	8,492	-	-
961.2	Property Insurance		2,958		
961.2	Liability Insurance	3,192	2,489		1,082
961.3	Workmen's Compensation	2,810			
	Total Insurance Premiums	6,002	5,447	-	1,082
967	Interest of Mortgage Payable	278	5,216		
	Total Other General Expenses	278	5,216	-	-
	TOTAL OPERATING EXPENSES	156,772	90,766	21,000	44,676
970	Excess Oper. Rev. over Exp.	2,872,047	123,818	-	299,067
973	HAP	2,587,248			320,585
974	Depreciation Exp	12,963	18,378		
900	TOTAL EXPENSES	2,756,983	109,144	21,000	365,261
1000	NET INCOME (LOSS)	\$ 271,836	\$ 105,440	\$ -	\$ (21,518)

See Auditor's Report.

Knox Metropolitan Housing Authority
Statement of Revenue and Expenses
September 30, 2022

Financial Data Schedule Submitted to U.S. Department of HUD

Line Item	Account Description	FSS	HCV	Subtotal	Elimination	Total
		Escrow Forfeiture	CARES Act			
70600	HUD PHA Operating Grants	\$ -	\$ 28,430	\$ 3,399,969	\$ -	\$ 3,399,969
714	Fraud Recovery - PHA			3,980		3,980
715	Other Revenue	6,486		220,431	(20,520)	199,911
716	Gain or Loss on Sale of Capital Assets			18,000		18,000
720	Investment Income - Restricted			682		682
700	TOTAL REVENUE	6,486	28,430	3,643,062	(20,520)	3,622,542
911	Admin. Salaries			261,621		261,621
912	Audit			9,354		9,354
915	Employee Benefits			(60,797)		(60,797)
916	Office Expenses		24,930	81,618	(20,520)	61,098
917	Legal			269		269
	Total Operating - Admin.	-	24,930	292,065	(20,520)	271,545
931	Water			1,330		1,330
932	Electricity			9,475		9,475
933	Gas			6,757		6,757
930	Total Utilities	-	-	17,562	-	17,562
942	Ordinary Maint. and Operations - Materials and Other			10,492		10,492
	Total Maint.	-	-	10,492	-	10,492
961.2	Property Insurance			2,958		2,958
961.2	Liability Insurance			6,763		6,763
961.3	Workmen's Compensation			2,810		2,810
	Total Insurance Premiums	-	-	12,531	-	12,531
967	Interest of Mortgage Payable			5,494		5,494
	Total Other General Expenses	-		5,494	-	5,494
	TOTAL OPERATING EXPENSES	-	24,930	338,144	(20,520)	317,624
970	Excess Oper. Rev. over Exp.	6,486	3,500	3,305,888	-	3,304,918
973	HAP		3,500	2,911,333		2,911,333
974	Depreciation Exp			31,341		31,341
900	TOTAL EXPENSES	-	28,430	3,280,818	(20,520)	3,260,298
1000	NET INCOME (LOSS)	\$ 6,486	\$ -	\$ 362,244	\$ -	\$ 362,244

See Auditor's Report.

KNOX METROPOLITAN HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Cluster Title	Assistance Listing Number	Pass Through Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program			
Housing Voucher Cluster:			
Section 8 Housing Choice Voucher	14.871	N/A	\$ 3,006,796
Section 8 Housing Choice Voucher - CARES	14.871	N/A	28,430
Mainstream Vouchers	14.879	N/A	<u>343,743</u>
Total Housing Voucher Cluster			3,378,969
Family Self-Sufficiency Program	14.896	N/A	<u>21,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,399,969</u></u>

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



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

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

To the Board of Trustees

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Knox Metropolitan Housing Authority, Knox County, (the Authority) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated April 17, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the Authority's in a separate letter dated April 17, 2023.

Purpose of this Report

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

Kevin L. Penn, Inc.
Cleveland, Ohio

April 17, 2023



Kevin L.
Penn, Inc.

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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**

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

To the Board of Trustees

Report on Compliance for each Major Federal Program

I have audited Knox Metropolitan Housing Authority, Knox County's, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Knox Metropolitan Housing Authority's major federal program for the year ended September 30, 2022. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

I believe my audit provides a reasonable basis for my compliance opinion on each of the Authority's major programs. However, my audit does not provide a legal determination of the Authority's compliance.

Opinion on each Major Federal Program

In my opinion, Knox Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended September 30, 2022.

Report on Internal Control Over Compliance

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

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

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

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

Kevin L. Penn, Inc.
Cleveland, Ohio

April 17, 2023

Knox Metropolitan Housing Authority
 Schedule of Findings
 September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Are there any reportable findings under 2 CFR Section 200.516(a)?	No
Identification of major programs: 14.871 and 14.879	Housing Voucher Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	Type A: > \$750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Knox Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2022

There were no audit findings, during the 2021 fiscal year.

OHIO AUDITOR OF STATE KEITH FABER



KNOX METROPOLITAN HOUSING AUTHORITY

KNOX COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/23/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov