

**BROWN METROPOLITAN HOUSING AUTHORITY
BROWN COUNTY**

AUDITED FINANCIAL STATEMENTS

Year Ended March 31, 2018



Dave Yost • Auditor of State

Board of Directors
Brown Metropolitan Housing Authority
406 W. Plum Street
Georgetown, Ohio 45121-1056

We have reviewed the *Independent Auditor's Report* of the Brown Metropolitan Housing Authority, Brown County, prepared by JC & Company, for the audit period April 1, 2017 through March 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 17, 2018

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BROWN METROPOLITAN HOUSING AUTHORITY
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Jeanette R. Addington, MBA, CPA, CGFM ■ Brian D. Long, CPA, PFS, CFF ■ Keith A. Lewis, CPA

INDEPENDENT AUDITOR'S REPORT

**Board of Directors and Management
Brown Metropolitan Housing Authority**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Brown Metropolitan Housing Authority. The Financial Data Schedules and actual modernization cost schedule are presented for purposes of additional analysis and are not a required part of the financial statements.

The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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*, we have also issued our report dated August 8, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Brown Metropolitan Housing Authority's internal control over financial reporting and compliance.



JC & Company
Lancaster, Ohio
August 8, 2018

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2018**

Unaudited

It is a privilege to present for you the financial picture of Brown Metropolitan Housing Authority. The Brown 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 year challenges), and (d) identify the single enterprise fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The revenue decreased by \$5,397 (1.6%) during 2018. Total revenues were \$331,798 and \$337,195 for 2018 and 2017, respectively.
- The total expenses increased by \$27,479 (7.7%). Total expenses were \$385,028 and \$357,549 for 2018 and 2017, respectively.

USING THIS ANNUAL REPORT

The focus is on the Authority as a single enterprise fund. This format will allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

MD&A ~ Management's Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Change in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~
Supplementary Information ~ Financial Data Schedules ~ ~ Actual Modernization Costs ~

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2018**

Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business-type programs are consolidated into one single enterprise fund for the 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, equals “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) are reported in three broad categories (as applicable):

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

Restricted Net Position: 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 Net Position: Consists of Net Position that do not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Position”. This account resembles the old operating reserves account.

The basic financial statements also include a Statement of Revenues, Expenses and Change in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, 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 Change in Net Position is the “Change in Net Position”, which is similar to Net Income or Loss.

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

The Authority’s programs that are consolidated into a single enterprise fund are as follows:

Project Total (Low-rent Public Housing & Capital Fund) – Under the Projects Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority’s physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the Authority’s units.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2018**

Unaudited

BASIC FINANCIAL STATEMENTS

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

**TABLE 1
STATEMENT OF NET POSITION**

	2018	2017
Current and other assets	\$ 41,490	\$ 39,833
Capital assets	962,319	1,016,820
TOTAL ASSETS	1,003,809	1,056,653
Current liabilities	10,579	10,193
TOTAL LIABILITIES	10,579	10,193
Net Position:		
Invested in capital assets, net of related debt	962,319	1,016,820
Restricted net position	913	13,654
Unrestricted net position	29,998	15,986
TOTAL NET POSITION	\$ 993,230	\$ 1,046,460

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION:

Current assets increased due to the Authority cutting costs and trying to have at least two months of cash in the bank at the end of the year.

Capital assets decreased due to additional depreciation. The capital improvements totaled less than the accumulated depreciation this fiscal year.

Net position decreased due to the change in invested in capital assets, net of related debt because of the accumulated depreciation.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2018**

Unaudited

The following schedule compares the revenues and expenses for the current and previous fiscal year.

**TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

	2018	2017
Revenues		
Tenant revenue - rents	\$ 30,742	\$ 30,550
Operating subsidies and grants	254,165	245,226
Capital grants	-	18,196
Interest income/other revenues	46,891	43,223
TOTAL REVENUE	331,798	337,195
Expenses		
Administration	68,092	51,813
Utilities	29,150	32,058
Insurance	5,656	5,807
Maintenance	34,042	37,169
General	84	310
Bad debt	196	2,204
Housing assistance payments	184,371	165,646
Depreciation	63,437	62,542
TOTAL EXPENSES	385,028	357,549
CHANGE IN NET POSITION	\$ (53,230)	\$ (20,354)

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS:

Total revenue decreased due to not receiving Capital Grant monies in this fiscal year. The Authority only drew down operating subsidies from the Capital Fund Program. The Authority is still reviewing expenses and cutting costs where possible.

**TABLE 3
CHANGE IN UNRESTRICTED NET POSITION**

Unrestricted Net Position 3/31/17		\$ 15,986
Results from operations	(40,489)	
Adjustments:		
Depreciation (1)	63,437	
Adjusted results from operations		22,948
Capital expenditures		(8,936)
Unrestricted Net Position 3/31/18		\$ 29,998

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

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2018**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had \$962,319 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$54,501 from the end of last fiscal year.

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2018	2017
Land and land rights	\$ 1,049	\$ 1,049
Buildings	2,023,360	2,014,424
Equipment - dwellings	25,303	25,303
Accumulated depreciation	(1,087,393)	(1,023,956)
TOTAL	\$ 962,319	\$ 1,016,820

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE	\$ 1,016,820
Capital asset additions	8,936
Depreciation	(63,437)
ENDING BALANCE	\$ 962,319

DEBT ADMINISTRATION

As of March 31, 2018, the Authority had no debt.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2018**

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Even though the economy has not completely recovered from the economic depression, the Authority's public tenants are holding jobs with higher wages due to the increase in minimum wage rate. Tenants are also keeping their employment longer due to changes in policy allowing tenants to work for a full year before their income is considered.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Shelly Spiller, Executive Director of the Brown Metropolitan Housing Authority at (937) 378-6041.

Respectfully submitted,

**Shelly Spiller
Executive Director**

**BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
MARCH 31, 2018**

ASSETS

Cash and cash equivalents	\$	30,925
Cash and cash equivalents - restricted		8,852
Accounts receivable - net of allowance		<u>1,713</u>
TOTAL CURRENT ASSETS		41,490

CAPITAL ASSETS

Land		1,049
Other capital assets - net		<u>961,270</u>
TOTAL CAPITAL ASSETS		<u>962,319</u>
TOTAL ASSETS		1,003,809

LIABILITIES AND EQUITY

Accounts payable		2,640
Tenant security deposits		<u>7,939</u>
TOTAL LIABILITIES		10,579

NET POSITION

Invested in capital assets - net of related debt		962,319
Restricted net position		913
Unrestricted net position		<u>29,998</u>
TOTAL NET POSITION	\$	<u><u>993,230</u></u>

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
Year Ended March 31, 2018

OPERATING REVENUES	
HUD operating grants	\$ 254,165
Tenant revenue	30,742
Other revenue	<u>46,891</u>
TOTAL OPERATING REVENUES	331,798
 OPERATING EXPENSES	
Administrative	68,092
Utilities	29,150
Insurance	5,656
Maintenance	34,042
General	84
Bad debt	196
Housing assistance payments	184,371
Depreciation	<u>63,437</u>
TOTAL OPERATING EXPENSES	<u>385,028</u>
CHANGE IN NET POSITION	(53,230)
NET POSITION BEGINNING OF YEAR	<u>1,046,460</u>
NET POSITION END OF YEAR	<u><u>\$ 993,230</u></u>

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from HUD	\$	265,970
Cash received from tenants		30,742
Cash received from other revenue		41,377
Cash payments for housing assistance payments		(184,371)
Cash payments for other operating expenses		<u>(137,612)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		16,106
 CASH FLOW FROM CAPITAL ACTIVITIES		
Acquisition of capital assets		<u>(8,935)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		7,171
 CASH AND CASH EQUIVALENTS, BEGINNING		<u>32,606</u>
CASH AND CASH EQUIVALENTS, ENDING	\$	<u>39,777</u>
 RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net position	\$	(53,230)
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation		63,437
(Increase) decrease in:		
Receivables - net of allowance		5,514
Increase (decrease) in:		
Accounts payable		391
Tenant security deposits		<u>(6)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>16,106</u>

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2018

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27 for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. 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 financial statements of the Brown Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. 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 in Note 2.

The accompanying basic financial statements comply with the provision of GASB Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific 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 is obligated in some manner for the debt of the organizations.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable. The housing authority has no component units.

The following are the various programs which are included in the single enterprise fund:

Project Total (Low-rent Public Housing & Capital Fund) – Under the Projects Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2018

1. DESCRIPTION OF THE REPORTING ENTITY - CONTINUED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for its programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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

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

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: Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position, Statement of Cash Flows, and 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).

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting and Reporting for Nonexchange Transactions - Continued

- **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.

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.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. Amounts in excess of FDIC insurance limits are fully collateralized.

Investments

The provisions of the HUD Regulations restrict investments. Interest income earned in fiscal year ended March 31, 2018 for both programs totaled \$0.

Receivables – Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivables at the end of the year. Management identified receivables they believe to be uncollectible and recorded an allowance for doubtful accounts of \$2,157 at March 31, 2018.

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	15 – 40 years
Furniture, fixtures and equipment	3 – 7 years
Vehicles	5 years

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term inter-program loans classified as due to/due from other programs on the FDS are eliminated.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets – net of related debt 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 recorded 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 amounts reported as restricted net position at fiscal year-end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts restricted as tenant security deposits. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Net position restricted by HUD was \$913.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary fund. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Operating expenses are those expenses that are expended directly for the primary activities of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, insurance, depreciation, bad debt and housing assistance payments.

Capital Grant

This represents grants provided by HUD that the Authority spends on capital assets.

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

3. DEPOSITS AND INVESTMENTS

Deposits

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

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

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2018

3. DEPOSITS AND INVESTMENTS - CONTINUED

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

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

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

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2018, the Authority was not exposed to custodial risk because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At fiscal year end March 31, 2018, the carrying amount of the Authority's deposits totaled \$39,777 and its bank balance was \$44,442.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealer. Public depositories must give security for all public funds on deposit. Repurchase agreement must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial investment, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirements.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested with any one issuer.

At March 31, 2018, the Authority did not have any investments.

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2018

4. INSURANCE AND 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.

The Authority participates in the State Housing Authorities Risk Pool (SHARP), a public entity risk plan that operates as a common risk management and insurance program for housing authorities. The authority pays insurance premiums directly to SHARP.

The authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

5. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 3/31/2017	Additions/ Disposals/ Corrections	Balance 3/31/2018
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	\$ 1,049	\$ -	\$ 1,049
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and improvements	2,014,424	8,936	2,023,360
Furniture and equipment	25,303	-	25,303
Totals at Historical Costs	2,039,727	8,936	2,048,663
Accumulated depreciation	(1,023,956)	(63,437)	(1,087,393)
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	1,015,771	(54,501)	961,270
TOTAL NET CAPITAL ASSETS	\$ 1,016,820	\$ (54,501)	\$ 962,319

Accumulated Depreciation by Class:

Building and improvements	\$ 1,062,090
Furniture and equipment	25,303
TOTAL ACCUMULATED DEPRECIATION	\$ 1,087,393

6. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2018, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and change in net position and other data to HUD as required on the GAAP basis. The FDS schedules follow the footnotes. The schedules are presented in the manner prescribed by the Department of Housing and Urban Development.

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2018

7. CONTRACT SERVICES

The Authority contracts with:

- Adams Brown Counties Economic Opportunities Inc. to provide financial services for the housing authority. The Authority does not have any employees; instead, services are subcontracted from Adams Brown Counties Economic Opportunities Inc.
- Adams Brown Counties Economic Opportunities Inc. to provide management and financial reporting services. Compensation shall be based on the amount allowed by HUD for performing these services.

8. CONTINGENT LIABILITIES

Under the terms of Federal grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

9. HAP AND ADMINISTRATIVE TRACKING ACCOUNTS

The Authority is required to track its housing choice voucher program equity accounts in two tracking accounts as follows:

	Restricted HAP	Administrative	Total
Balance 3/31/17	\$ 13,654	\$ 12,711	\$ 26,365
HAP received	127,348	-	127,348
Administrative received	-	19,870	19,870
HAP expenses	(140,089)	-	(140,089)
Administrative expenses	-	(25,270)	(25,270)
Other income	-	46,606	46,606
Portability In	-	(44,328)	(44,328)
Balance 3/31/18	<u>\$ 913</u>	<u>\$ 9,589</u>	<u>\$ 10,502</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2018, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

BROWN METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE SUBMITTED TO HUD
ENTITY WIDE - STATEMENT OF NET POSITION
For the Year Ended March 31, 2018

	Project Total	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$21,854	\$9,071	\$30,925
113 Cash - Other Restricted		\$913	\$913
114 Cash - Tenant Security Deposits	\$7,939		\$7,939
115 Cash - Restricted for Payment of Current Liabilities		\$0	\$0
100 Total Cash	\$29,793	\$9,984	\$39,777
124 Accounts Receivable - Other Government		\$522	\$522
125 Accounts Receivable - Miscellaneous		\$79	\$79
126 Accounts Receivable - Tenants	\$567		\$567
126.1 Allowance for Doubtful Accounts -Tenants	\$0	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$2,703		\$2,703
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud	-\$2,157		-\$2,157
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,113	\$601	\$1,714
150 Total Current Assets	\$30,906	\$10,585	\$41,491
161 Land	\$1,049		\$1,049
162 Buildings	\$2,023,360		\$2,023,360
164 Furniture, Equipment & Machinery - Administration	\$25,303		\$25,303
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$1,087,393		-\$1,087,393
160 Total Capital Assets, Net of Accumulated Depreciation	\$962,319	\$0	\$962,319
180 Total Non-Current Assets	\$962,319	\$0	\$962,319
290 Total Assets and Deferred Outflow of Resources	\$993,225	\$10,585	\$1,003,810
312 Accounts Payable <= 90 Days	\$2,556		\$2,556
333 Accounts Payable - Other Government		\$83	\$83
341 Tenant Security Deposits	\$7,939		\$7,939
310 Total Current Liabilities	\$10,495	\$83	\$10,578
300 Total Liabilities	\$10,495	\$83	\$10,578
508.4 Net Investment in Capital Assets	\$962,319		\$962,319
511.4 Restricted Net Position		\$913	\$913
512.4 Unrestricted Net Position	\$20,411	\$9,589	\$30,000
513 Total Equity - Net Assets / Position	\$982,730	\$10,502	\$993,232
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$993,225	\$10,585	\$1,003,810

See independent auditor's report

BROWN METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE SUBMITTED TO HUD
ENTITY WIDE - STATEMENT OF REVENUE AND EXPENSES
For the Year Ended March 31, 2018

	Project Total	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue	\$30,742		\$30,742
70400 Tenant Revenue - Other	\$285		\$285
70500 Total Tenant Revenue	\$31,027	\$0	\$31,027
70600 HUD PHA Operating Grants	\$106,947	\$147,218	\$254,165
71500 Other Revenue		\$46,606	\$46,606
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$137,974	\$193,824	\$331,798
91100 Administrative Salaries			
91200 Auditing Fees	\$2,550	\$2,550	\$5,100
91300 Management Fee	\$35,000	\$19,870	\$54,870
91310 Book-keeping Fee			
91400 Advertising and Marketing	\$305		\$305
91500 Employee Benefit contributions - Administrative			
91600 Office Expenses	\$3,442		\$3,442
91700 Legal Expense	\$243		\$243
91800 Travel	\$100		\$100
91810 Allocated Overhead			
91900 Other	\$1,182	\$2,850	\$4,032
91000 Total Operating - Administrative	\$42,822	\$25,270	\$68,092
93100 Water	\$6,304		\$6,304
93200 Electricity	\$155		\$155
93300 Gas	\$189		\$189
93400 Fuel			
93500 Labor			
93600 Sewer	\$10,931		\$10,931
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense	\$11,525		\$11,525
93000 Total Utilities	\$29,104	\$0	\$29,104
94100 Ordinary Maintenance and Operations - Labor	\$7,367		\$7,367
94200 Ordinary Maintenance and Operations - Materials and Other	\$7,003		\$7,003
94300 Ordinary Maintenance and Operations Contracts	\$19,672		\$19,672
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$34,042	\$0	\$34,042
96110 Property Insurance	\$5,656		\$5,656
96100 Total insurance Premiums	\$5,656	\$0	\$5,656

See independent auditor's report

BROWN METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE SUBMITTED TO HUD
ENTITY WIDE - STATEMENT OF REVENUE AND EXPENSES
For the Year Ended March 31, 2018

	Project Total	14.871 Housing Choice Vouchers	Total
96200 Other General Expenses	\$84		\$84
96400 Bad debt - Tenant Rents	\$194		\$194
96000 Total Other General Expenses	\$278	\$0	\$278
96900 Total Operating Expenses	\$111,902	\$25,270	\$137,172
97000 Excess of Operating Revenue over Operating Expenses	\$26,072	\$168,554	\$194,626
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments		\$140,089	\$140,089
97350 HAP Portability-In		\$44,328	\$44,328
97400 Depreciation Expense	\$63,437		\$63,437
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$175,339	\$209,687	\$385,026
10010 Operating Transfer In	\$23,381		\$23,381
10020 Operating transfer Out	-\$23,381		-\$23,381
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$37,365	-\$15,863	-\$53,228
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$1,020,095	\$26,365	\$1,046,460
11170 Administrative Fee Equity		\$9,589	\$9,589
11180 Housing Assistance Payments Equity		\$913	\$913
11190 Unit Months Available	228	456	684
11210 Number of Unit Months Leased	227	465	692
11270 Excess Cash	\$11,086		\$11,086
11610 Land Purchases	\$0		\$0
11620 Building Purchases	\$8,936		\$8,936

See independent auditor's report

**BROWN METROPOLITAN HOUSING AUTHORITY
ACTUAL MODERNIZATION COSTS
Year Ended March 31, 2018**

	<u>OH10P081501-15</u>
FUNDS APPROVED	<u>\$ 26,884</u>
FUNDS DISBURSED	<u>\$ 26,884</u>
FUNDS EXPENDED	<u>\$ 26,884</u>

1. The grant cost certificate was approved by HUD.
2. The Authority records agree to the above total expenditures.
3. There are no outstanding liabilities.

	<u>OH10P081501-16</u>
FUNDS APPROVED	<u>\$ 25,282</u>
FUNDS DISBURSED	<u>\$ 25,282</u>
FUNDS EXPENDED	<u>\$ 25,282</u>

1. The grant cost certificate was approved by HUD.
2. The Authority records agree to the above total expenditures.
3. There are no outstanding liabilities.



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

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

**Board of Directors
Brown Metropolitan Housing Authority**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Brown Metropolitan Housing Authority as of and for the year ended March 31, 2018, and the related notes to the financial statements, which comprise the Brown Metropolitan Housing Authority's basic financial statements, and have issued our report thereon dated August 8, 2018.

Internal Control Over Financial Reporting

Management of Brown Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Brown Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brown Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Brown Metropolitan Housing Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Brown Metropolitan Housing Authority in a separate letter dated August 8, 2018.

Purpose of this Report

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



JC & Company
Lancaster, Ohio
August 8, 2018



Dave Yost • Auditor of State

BROWN METROPOLITAN HOUSING AUTHORITY

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2018**