

**BUTLER METROPOLITAN
HOUSING AUTHORITY
BUTLER COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Commissioners
Butler Metropolitan Housing Authority
4110 Hamilton-Middletown Road
Hamilton, Ohio 45011

We have reviewed the *Independent Auditor's Report* of the Butler Metropolitan Housing Authority, Butler County, prepared by James G. Zupka, CPA, Inc, for the audit period July 1, 2016 through June 30, 2017. 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 Butler 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

February 7, 2018

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BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Butler Metropolitan Housing Authority
Hamilton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Butler Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Butler Metropolitan Housing Authority as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Modernization Cost - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 19, 2017

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

The Butler Metropolitan Housing Authority (“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 individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The business-type activity revenue increased by \$.66 million (3%) from FY 2016. The primary reason for the increase in revenues is increased Capital Fund Program activity in the period. Total revenue was \$22.6 million and \$21.99 million for FY 2017 and FY 2016 respectively.
- The total expenses of all Authority programs increased by \$.39 million (2%). The primary reasons for the increase in expenses is the increase in Capital Fund Program activity in the period. Total expenses were \$22.73 million and \$22.34 million for FY 2017 and FY 2016 respectively.

Authority-Wide Financial Statements

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets and deferred outflow of resources, minus liabilities and deferred inflow of resources, equal Net Position (similar to 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 (Unrestricted Net Position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)

Net Position 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 Net Position: This component of Net Position consists of restricted amounts, 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 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 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 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.

Traditional users of governmental financial statements will find the consolidated Financial Statements presentation familiar. The focus is on agency-wide balances rather than individual program balances. The Authority consists of exclusively Enterprise Funds. 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 following is a condensed Statement of Net Position compared to prior year.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

Table 1 - Condensed Statement of Net Position

	2017	2016	Change	% Change
<u>Assets</u>				
Current Assets	\$ 7,425,000	\$ 6,918,000	\$ 507,000	7%
Capital Assets	11,178,000	11,244,000	(66,000)	-1%
Other Non-current Assets	618,000	637,000	(19,000)	-3%
Total Assets	19,221,000	18,799,000	422,000	2%
Deferred Outflows	1,263,000	1,031,000	232,000	23%
<u>Liabilities</u>				
Current Liabilities	345,000	440,000	(95,000)	-22%
Non-current Liabilities	3,833,000	3,041,000	792,000	26%
Total Liabilities	4,178,000	3,481,000	697,000	20%
Deferred Inflows	249,000	57,000	192,000	337%
<u>Net Position</u>				
Invested in Capital	11,178,000	11,244,000	(66,000)	-1%
Restricted	1,007,000	1,384,000	(377,000)	-27%
Unrestricted	3,872,000	3,664,000	208,000	6%
Total Net Position	\$ 16,057,000	\$ 16,292,000	\$ (235,000)	-1%

Major Factors Affecting the Statement of Net Position

Current assets increased by about \$507,000 (7%). The biggest change from last year in current assets is in cash due to the increase in current liabilities and a favorable gain from operations in the period in the public housing and housing choice voucher programs.

Current liabilities decreased by \$95,000 (22%). This change was primarily a routine reduction in accounts payable and wages payable due to timing issues.

Large increases were realized in Deferred Outflows (about \$232,000 or 73%) and Non-Current Liabilities (about \$792,000 or 26% - primarily to the Net Pension Liability). The increases in these balances reported pursuant to GASB 68 truly do not reflect an issue related to the operations of the agency, but rather reflect changes in the Ohio Public Employees Retirement System (OPERS) unfunded pension liability. GASB 68 requires that public employers like Butler MHA to report what is calculated to be their share of the unfunded pension liability of the pension system. Employees of Butler MHA are required by state law to be members of OPERS and Butler MHA is required to make retirement contributions to the retirement system on behalf of their employees. The Net Pension Liability is not like other liabilities reported by Butler MHA in that if the agency ceased operations there is no invoice to be paid in that amount.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)

Deferred inflows also increased considerably (about \$192,000 or 337 percent). This change was primarily related to a prior period adjustment to recognize as a prepaid ground lease a payment made by a development partner in prior years.

The following is a condensed Statement of Revenues, Expenses and Changes in Net Position compared to prior year.

Table 2 - Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2017	2016	Change	% Change
Revenues				
Tenant Revenues	\$ 1,944,000	\$ 1,751,000	\$ 193,000	11%
Subsidies	18,750,000	18,919,000	(169,000)	-1%
Capital Grants	1,601,000	229,000	1,372,000	599%
Interest Income	3,000	1,000	2,000	200%
Other Income	344,000	1,087,000	(743,000)	-68%
Total Revenues	22,642,000	21,987,000	655,000	3%
Expenses				
Administrative	3,005,000	2,809,000	196,000	7%
Tenant Services	9,000	13,000	(4,000)	-31%
Utilities	998,000	1,021,000	(23,000)	-2%
Maintenance and Operation	3,249,000	2,598,000	651,000	25%
General and Interest	486,000	454,000	32,000	7%
HAP	13,241,000	13,619,000	(378,000)	-3%
Depreciation	1,744,000	1,829,000	(85,000)	-5%
Total Expenses	22,732,000	22,343,000	389,000	2%
Change in Net Position	(90,000)	(356,000)	266,000	
Prior Net Position Adjustment	(145,000)	0	(145,000)	100%
Total Net Position - Beginning	16,292,000	16,648,000		
Total Net Position - Ending	\$ 16,057,000	\$ 16,292,000		

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

Revenues increased by about \$655,000 (3%) from the prior year primarily reflecting an increase in capital grant revenue of more than \$1.3 million offset by a reduction in other revenue of \$.74 million. The increase in capital grant revenue simply reflects more activity in the current period over the prior in this reimbursing grant program. The primary cause of the drop in other revenue was a drop in port HAP revenue in the Housing Choice Voucher program. The agency chose to absorb more of the voucher holders coming into their jurisdiction in the period.

Expenses increased modestly by about \$389,000 (2%). The largest increases were in administrative and maintenance expenses, offset by a drop in Housing Choice Voucher program HAP expense. Much of the increase in administrative expense was due to the recording of changes in balances reported pursuant to GASB 68. The increase in maintenance expense was related to the increase Capital Fund Program activity, the part of the increase related to

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (CONTINUED)**

extraordinary maintenance repairs. The drop in HAP expense was largely due to the drop in rental assistance paid on families porting into the jurisdiction of Butler MHA.

As of year-end, the Authority had \$11.18 million invested in a variety of Capital Assets as reflected in the following schedule. The balance of Capital Assets represents a net decrease (addition, deductions and depreciation) of only \$67,000 (about 1%) from the previous fiscal year.

Additions to Capital Assets in the period just about kept pace with depreciation on Capital Assets in the period.

The following summarizes the change in Capital Assets.

Table 3 - Condensed Changes in Capital Assets

<u>Capital Assets</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 3,147,000	\$ 3,089,000	\$ 58,000	2%
Buildings and Improvements	74,011,000	72,445,000	1,566,000	2%
Equipment	1,916,000	1,863,000	53,000	3%
Accumulated Depreciation	<u>(67,896,000)</u>	<u>(66,153,000)</u>	<u>(1,743,000)</u>	3%
Total Capital Assets	<u><u>\$11,178,000</u></u>	<u><u>\$ 11,244,000</u></u>	<u><u>\$ (66,000)</u></u>	-1%

Debt

The agency has no debt at June 30, 2017.

ECONOMIC FACTORS

The Housing Authority is primarily dependent upon HUD for the funding of operations therefore the Housing Authority is affected more by the federal budget than by local economic conditions. The likelihood of full improvements in the level of funding from DHUD for agency programs is not favorable. Cuts in HUD funding for agency programs eventually means cuts in what Butler MHA can do for its clients.

FINANCIAL CONTACT

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have any questions regarding these financial statements or supplemental information, you may contact Benjamin Jones, Executive Director, at (513) 623-0353 or by writing: Butler Metropolitan Housing Authority, 4110 Hamilton-Middletown Road, Hamilton, Ohio 45011-6218.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 6,308,900
Cash and Cash Equivalents - Restricted	729,227
Accounts Receivable, Net	94,569
Prepaid Expenses	185,808
Inventories	106,163
Total Current Assets	7,424,667

Noncurrent Assets

Capital Assets:

Land	3,147,250
Buildings and Improvements	74,011,083
Furniture and Equipment	1,915,689
	<u>79,074,022</u>
Less: Accumulated Depreciation	(67,896,435)
Total Capital Assets, Net	11,177,587

Notes Receivable	609,184
Other Assets	9,449

Total Noncurrent Assets	11,796,220
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Deferred Outflows of Resources	1,263,432
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TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 20,484,319
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 84,840
Accrued Liabilities	90,638
Accrued Compensated Absences - Current Portion	49,472
Tenant Security Deposits	120,634
Total Current Liabilities	345,584

Noncurrent Liabilities

Accrued Compensated Absences	379,437
Trust Deposit Liabilities	9,465
Accrued Pension Liability	3,444,395
Total Noncurrent Liabilities	3,833,297

TOTAL LIABILITIES	4,178,881
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Deferred Inflow of Resources

Pension	47,586
Prepaid Ground Lease	201,184

Total Deferred Inflow of Resources	248,770
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NET POSITION

Net Investment in Capital Assets	11,177,587
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Restricted Net Position	1,007,128
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Unrestricted Net Position	3,871,953
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TOTAL NET POSITION	16,056,668
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 20,484,319
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The accompanying notes are an integral part of the financial statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Operating Revenue</u>	
Tenant Revenue	\$ 1,943,869
Governmental Grants and Subsidy	18,750,029
Other Income	344,502
Total Operating Revenue	<u>21,038,400</u>
<u>Operating Expenses</u>	
Administration	3,004,727
Tenant Services	9,057
Utilities	998,221
Maintenance and Operation	3,248,712
Protective Services	34,754
General Expense	451,850
Housing Assistance Payments	13,240,745
Depreciation	1,743,710
Total Operating Expenses	<u>22,731,776</u>
Net Operating Income (Loss)	<u>(1,693,376)</u>
<u>Nonoperating Revenues/(Expenses)</u>	
Investment Income	2,954
Net Nonoperating Revenues/(Expenses)	2,954
Net Income/(Loss) before Capital Grants	<u>(1,690,422)</u>
Capital Grants	1,600,788
Increase (Decrease) in Net Position	<u>(89,634)</u>
Total Net Position - Beginning	16,291,386
Prior Period Adjustment	(145,084)
Total Net Position - Ending	<u>\$ 16,056,668</u>

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Cash flows from Operating Activities

Operating Grants Received	\$ 18,761,039
Tenant Revenue Received	1,818,781
Other Revenue Received	335,032
Administrative Expenses	(2,508,169)
Other Operating Expenses	(4,540,060)
Housing Assistance Payments	(13,116,494)
Net Cash Provided from Operating Activities	<u>750,129</u>

Cash Flows from Capital and Related Financing Activities

Capital Grants Received	1,600,788
Property and Equipment Purchased	(1,677,133)
Net Cash Provided from Capital and Related Financing Activities	<u>(76,345)</u>

Cash Flows from Investing Activities

Interest Earned	2,954
Net Cash Provided from Investing Activities	<u>2,954</u>

Net Increase (Decrease) in Cash	676,738
Cash and Cash Equivalents at Beginning of Year	6,361,389
Cash and Cash Equivalents at End of Year	<u>\$ 7,038,127</u>

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

Net Income (Loss)	\$ (1,693,376)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,743,710
Decrease (Increase) in Accounts Receivable	168,753
Decrease (Increase) in Prepaid and Other Assets	9,316
Decrease (Increase) in Inventory	10,133
Increase (Decrease) in Deferred Outflows	(232,483)
Increase (Decrease) in Accounts Payable	(70,249)
Increase (Decrease) in Accrued Expenses	(44,260)
Increase (Decrease) in Intergovernmental Payable	11,010
Increase (Decrease) in Tenant Security Deposits	(331)
Increase (Decrease) in Compensated Absence	44,838
Increase (Decrease) in Other Non-Current Liabilities	(26,912)
Increase (Decrease) in Net Pension Liability	783,570
Increase (Decrease) in Deferred Inflows	46,410
Net Cash Provided from Operating Activities	<u>\$ 750,129</u>

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

BUTLER METROPOLITAN HOUSING AUTHORITY
BULTER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY

1. Introduction

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

2. Organization

The Butler Metropolitan Housing Authority (“The Authority”) is a public body and a body corporate and politic organized under the laws of the State of Ohio by the City of Hamilton for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, the Board is appointed pursuant to the Ohio Revised Code, but the Board designates its own management. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (“HUD”) to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

3. Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board* and the Financial Accounting Standards Board and GASB Statement Number 14, *The Financial Reporting Entity*.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City or County and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority – the Board of Commissioners of the Authority is appointed to five-year terms by the Mayor of the City of Hamilton, Probate Court, Commons Please Court, and the Butler County Commissioners, but the Authority designates its own management. The City and County provide no financial support to the Authority and are not responsible for the debts or entitled to the net assets of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the officials of the city of Hamilton and Butler County appoint the governing board of the Authority, no other criteria established by Government Accounting Standards Board for inclusion of the Authority in the financial reports of those entities are met. Therefore, a separate financial report is prepared for the Authority.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

3. Reporting Entity (Continued)

Imposition of Will - The County has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units of the Authority nor for the Authority to be included in the City of Hamilton's or Butler County's financial reports, therefore, the Authority reports independently. The Authority operated the following programs under Annual Contributions Contract:

- A. *Public Housing Program*** – The Authority rents units it owns to low-income households. The program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy to enable the Authority to rent the units based on 30% of household income.
- B. *Housing Choice Voucher Program***– The objective of this program is to provide housing for eligible low-income families through housing assistance payments to private landlords.
- C. *Capital Fund Program*** - The objective of this program is to improve the physical condition of the Low-Income Public Housing units and upgrade the management of the Program.
- D. *Business Activities*** – Various other activities of the Authority.

4. Basis of Presentation, Basis of Accounting and Measurement Focus

Basis of Accounting - The Authority uses the accrual basis of accounting for all funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

4. Basis of Presentation, Basis of Accounting and Measurement Focus

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the PHA's activities are included on the Statement of Net Position. The Authority uses the following fund:

Enterprise Fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

The Authority's net position is reported in three components:

1. Net investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and 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.
2. Restricted Net Position – Consists of net position with constraints placed on their use by external groups including HUD, creditors, grantors, contributors, or laws and regulations of other governments.
3. Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “invested” in capital assets, net of related debt.

5. Accounting and Reporting for Non-exchange Transactions

Non-exchange 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 non-exchange transaction as follows:

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NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

5. Accounting and Reporting for Non-Exchange Transactions (Continued)

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e. income taxes, sales taxes, and other assessments on earnings or consumption)
- Imposed non-exchange revenues: result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (i.e., property taxes and fines).
- Government-mandated non-exchange 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 non-exchange 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 a government-mandated or voluntary non-exchange 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 non-exchange 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 non-exchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

6. Revenues and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

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NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

7. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

8. Budgets

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the program to which the budget applies. The Authority prepares annual operating budgets, which are formally adopted by its Governing Board of Commissioners and submitted to HUD when required.

9. Inventories

Inventories are recorded on a first-in, first out basis. The periodic method is used to account for inventories. Under the periodic method, inventories are charged to expense when purchased and adjusted periodically upon physical inventory count.

10. Capital Assets and Depreciation

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the City of Hamilton for maintenance and repairs. Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Assets. The Housing Authority has established a capitalization threshold of \$2,000 for equipment, buildings and improvements.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings and Improvements	10-20 years
Furniture, Fixtures and Equipment	3-10 years
Vehicles	5 years

11. Collection Losses

Collection losses on accounts receivable are expensed, in the appropriate fund, on the specific write-off method.

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NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

12. Insurance

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. The Authority had the required coverage in force.

13. Cash and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

14. Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees.

15. Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsides received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net assets below the non-operating revenue and expense.

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NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

16. Deferred Outflows/Inflows 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 statement of net position for pension. The deferred outflows of resources related to pension are explained in Note G.

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 are reported on the statement of net position for pension. The deferred inflows of resources related to pension are explained in Note G. The deferred inflows of resources related to the prepaid ground lease is explained in Note M.

<u>Deferred Inflows</u>	
Pension	\$ 47,586
Prepaid Ground Lease	201,184
Total Deferred Inflows	<u>\$ 248,770</u>

17. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension 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 systems report investments at fair value.

NOTE B: CASH AND CASH EQUIVALENTS

All the deposits of the Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Authority has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the Authority's deposits had a carrying amount of \$7,038,127 (including \$1,200 of petty cash) and a bank balance of \$7,146,796. Of the bank balances held in various financial institutions, \$250,000 was covered by Federal Depository Insurance and the remainder was covered by collateral held under the dedicated method.

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NOTE B: CASH AND CASH EQUIVALENTS (Continued)

Interest Rate Risk - As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to maturities of 12 months or less. The Authority has no specific policy regarding interest rate risk.

Credit Risk - The Authority has no policy regarding credit risk.

Custodial Credit Risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority had no funds that were considered to be investments and as such all funds were classified as cash & cash equivalents. The Authority has no policy on custodial credit risk.

Concentration of Credit Risk - The Authority places no limit on the amount that it may invest in any one issuer. The Authority has no policy regarding credit risk.

Cash and cash equivalents at June 30, 2017, consisted of the following:

Cash and Cash Equivalents

Checking - Unrestricted	\$ 6,307,700
Cash - Restricted	729,227
Petty Cash	1,200
	<u>\$ 7,038,127</u>

Restricted Cash and Cash Investments

Tenant Security Deposits	\$ 120,634
FSS Escrow	9,465
HCV HAP Equity/Net Restricted Assets	385,702
Restricted for Development	213,426
	<u>\$ 729,227</u>

NOTE C: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted of the following:

Tenants (Net of Allowance of \$52,504)	\$ 67,011
Accounts Receivable - Other PHA's	27,558
	<u>\$ 94,569</u>

The above receivable balance excludes \$238,450 of interfund balances that have been eliminated from the consolidated financial statements at June 30, 2017.

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NOTE D: CAPITAL ASSETS

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2017:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 3,088,987	\$ 58,263	\$ 0	\$ 3,147,250
Total Capital Assets Not Being Depreciated	<u>3,088,987</u>	<u>58,263</u>	<u>-</u>	<u>3,147,250</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	72,445,329	1,565,754	0	74,011,083
Furniture and Equipment	1,862,573	53,116	0	1,915,689
Subtotal Capital Assets Being Depreciated	<u>74,307,902</u>	<u>1,618,870</u>	<u>0</u>	<u>75,926,772</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(64,516,454)	(1,682,074)	0	(66,198,528)
Furniture and Equipment	(1,636,271)	(61,636)	0	(1,697,907)
Subtotal Accumulated Depreciation	<u>(66,152,725)</u>	<u>(1,743,710)</u>	<u>0</u>	<u>(67,896,435)</u>
Depreciable Assets, Net	<u>8,155,177</u>	<u>(124,840)</u>	<u>0</u>	<u>8,030,337</u>
Total Capital Assets, Net	<u>\$ 11,244,164</u>	<u>\$ (66,577)</u>	<u>\$ 0</u>	<u>\$ 11,177,587</u>

NOTE E: NOTE RECEIVABLE

Mixed Finance Construction Loan

The Authority is loaning to a development partner in conjunction with a multi-lender mixed finance arrangement for construction of the Beacon Pointe development. Repayment is based on cash flows realized by the Project. A lump sum payment of outstanding principal and interest is due at maturity, which is 40 years. The loan is secured by the property. At June 30, 2017, the Note Receivable balance is \$609,184.

Allowance

No allowance for an uncollectible amount is deemed necessary against the receivable. No facts are currently known that would lead the Authority to believe that default on the loan is probable. The debt may be satisfied through repayment in full or by transfer of property to the Authority.

Interest Income

Due to the length of time preceding the required payment of interest, interest earned on the note receivable has been deferred and is not recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

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NOTE F: SUMMARY OF CHANGES OF LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance July 1, 2017	Current Portion
Compensated Absences	\$ 384,071	\$ 143,608	\$ (98,770)	\$ 428,909	\$ 49,472
FSS Escrows	36,377	9,354	(36,266)	9,465	0
Net Pension Liability	2,660,825	783,570	0	3,444,395	0
Total Restricted Net Assets	\$3,081,273	\$ 936,532	\$ (135,036)	\$3,882,769	\$ 49,472

NOTE G: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability 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 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 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.

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u><u>14.0 %</u></u>
Employee	<u><u>10.0 %</u></u>

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution to the Traditional and Combined Plans was \$251,381 for Fiscal year ending June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability 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 Pension Plan</u>	<u>Combined Pension Plan</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset			
Prior Measurement Date	0.015430%	0.025380%	
Proportion of the Net Pension Liability/Asset			
Current Measurement Date	<u>0.015168%</u>	<u>0.016977%</u>	
Change in Proportionate Share	<u>-0.000262%</u>	<u>-0.008403%</u>	
Proportionate Share of the Net Pension Liability/Asset	\$ 3,444,395	\$ (9,449)	\$ 3,434,946
Pension Expense	\$ 731,252	\$ 6,827	\$ 738,079

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

	OPERS	OPERS	
	<u>Traditional</u>	<u>Combined</u>	<u>Total</u>
	<u>Pension Plan</u>	<u>Pension Plan</u>	
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$512,951	\$2,305	\$515,256
Changes of assumptions	546,322	2,303	548,625
Differences between expected and actual experience	4,669	0	4,669
Changes in proportion and differences between Authority contributions and proportionate share of contributions	63,047	3,837	66,884
Authority contributions subsequent to the measurement date	<u>123,825</u>	<u>4,173</u>	<u>127,998</u>
Total Deferred Outflows of Resources	<u><u>\$1,250,814</u></u>	<u><u>\$12,618</u></u>	<u><u>\$1,263,432</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$20,500	\$4,835	\$25,335
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>22,251</u>	<u>0</u>	<u>22,251</u>
Total Deferred Inflows of Resources	<u><u>\$42,751</u></u>	<u><u>\$4,835</u></u>	<u><u>\$47,586</u></u>

\$127,998 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OPERS	
	<u>Traditional</u>	<u>Combined</u>	<u>Total</u>
	<u>Pension Plan</u>	<u>Pension Plan</u>	
Year Ending June 30:			
2018	\$473,740	\$ 923	\$474,663
2019	444,104	922	445,026
2020	181,429	823	182,252
2021	(15,035)	5	(15,030)
2022	0	92	92
Thereafter	0	845	845
Total	<u><u>\$1,084,238</u></u>	<u><u>\$ 3,610</u></u>	<u><u>\$1,087,848</u></u>

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

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

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

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

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. 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.

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

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. 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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (CONTINUED)**

NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

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

Authority's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	\$5,262,083	\$3,444,395	\$1,929,673
Combined Plan	\$679	(\$9,449)	(17,317)

NOTE H: POST-EMPLOYMENT BENEFITS

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (CONTINUED)**

NOTE H: **POST-EMPLOYMENT BENEFITS** (Continued)

B. 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 2016 and 2017, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0%. The portion of actual Authority contributions for the year ended June 30, 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits were \$31,333, \$40,441, and \$38,240, respectively.

NOTE I: **RISK MANAGEMENT**

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2017, there were no liabilities to be reported.

NOTE J: **RESTRICTED NET POSITION**

HCV/HAP Equity	\$ 385,702
Restricted for Development	12,242
Loan to Beacon Pointe Tax Credit Property	609,184
	<u>\$ 1,007,128</u>

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)

NOTE K: ECONOMIC DEPENDENCY

Both the PHA owned Housing Program and the Housing Choice Voucher Programs are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE L: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial conditions of the Authority.

NOTE M: PREPAID GROUND LEASE

On June 24, 2011 the Authority entered into a ground lease with Beacon Pointe LP to lease a parcel of land owned by the Authority. The Authority received a pre-payment of \$212,000 in fiscal year 2011 which is being amortized over the 98 year lease term. The income recognized each year is \$2,163.

NOTE N: PROIR PERIOD ADJUSTMENT

In prior periods the Agency disposed of an obsolete Public Housing project site via demolition and subsequently entered into agreements allowing for replacement housing to be developed on the site by a partner developer. The replacement units are not owned or managed by Butler Metropolitan Housing Authority. At the time of conveyance of the property to the partner developer for this use, the Agency received funds from the partner developer as a prepaid land lease with a term of 98 years but the transaction was improperly recorded as a sale of the property. A Prior Period Adjustment of (\$145,084) was needed to reclassify the amount received as a prepaid ground lease and to increase the value of land assets owned by the Authority to properly reflect this land being leased to the partner developer.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST FOUR FISCAL YEARS (1)**

Traditional Plan	2016	2015	2014	2013
Authority's Proportion of the Net Pension Liability	0.015168%	0.015430%	0.013959%	0.013959%
Authority's Proportionate Share of the Net Pension Liability	\$3,444,395	\$2,672,670	\$1,683,612	\$1,645,585
Authority's Covered-Employee Payroll	\$2,053,136	\$1,982,818	\$1,760,869	\$1,961,892
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	167.76%	134.79%	95.61%	83.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
Combined Plan	2016	2015	2014	2013
Authority's Proportion of the Net Pension (Asset)	0.016977%	0.025380%	0.026619%	0.026619%
Authority's Proportionate Share of the Net Pension (Asset)	(\$9,449)	(\$12,350)	(\$10,248)	(\$2,793)
Authority's Covered-Employee Payroll	\$69,196	\$95,370	\$95,570	\$121,708
Authority's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Employee Payroll	13.66%	12.95%	10.72%	2.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	116.55%	116.90%	114.83%	104.33%

(1) - Information prior to 2013 is not available.

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Contractually Required Contributions</u>				
Traditional Plan	243,185	232,780	218,705	235,427
Combined Plan	8,196	9,867	10,736	14,605
Total Required Contributions	\$251,381	\$242,647	\$229,441	\$250,032
Contributions in Relation to the Contractually Required Contribution	(\$251,381)	(\$242,647)	(\$229,441)	(\$250,032)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Authority's Covered-Employee Payroll</u>				
Traditional Plan	\$1,945,480	\$1,939,833	\$1,822,542	\$1,961,892
Combined Plan	\$65,568	\$82,225	\$89,467	\$121,708
<u>Pension Contributions as a Percentage of Covered-Employee Payroll</u>				
Traditional Plan	12.50% *	12.00%	12.00%	12.00%
Combined Plan	12.50% *	12.00%	12.00%	12.00%

(1) – Information prior to 2014 is not available.

* Contribution rate increased from 12.00% to 13.00% as of January 1, 2017.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF MODERNIZATION COSTS - COMPLETED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Actual Modernization Costs of the Project are as follows:	OH10P015501-08
Fund Approved	\$ 1,981,323
Funds Expended	1,981,323
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,981,323
Funds Expended	1,981,323
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
2. Actual Modernization Costs of the Project are as follows:	OH10P015501-09
Fund Approved	\$ 1,800,603
Funds Expended	1,800,603
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,800,603
Funds Expended	1,800,603
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
3. Actual Modernization Costs of the Project are as follows:	OH10P015501-10
Fund Approved	\$ 1,797,097
Funds Expended	1,797,097
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,797,097
Funds Expended	1,797,097
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
4. Actual Modernization Costs of the Project are as follows:	OH10P015501-11
Fund Approved	\$ 1,530,895
Funds Expended	1,530,895
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,530,895
Funds Expended	1,530,895
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
5. Actual Modernization Costs of the Project are as follows:	OH10P015501-12
Fund Approved	\$ 1,376,083
Funds Expended	1,376,083
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,376,083
Funds Expended	1,376,083
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
2. All modernization work in connection with the Project has been completed.	
3. All modernization costs have been paid and all related liabilities have been discharged through payment.	

BUTLER METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2017

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	3,278,850	303,464	43,356	239,063	2,444,167	6,308,900	-	6,308,900
113 Cash - Other Restricted	213,426	395,167	-	-	-	608,593	-	608,593
114 Cash - Tenant Security Deposits	120,634	-	-	-	-	120,634	-	120,634
100 Total Cash	3,612,910	698,631	43,356	239,063	2,444,167	7,038,127	-	7,038,127
121 Accounts Receivable - PHA Projects	-	27,558	-	-	-	27,558	-	27,558
125 Accounts Receivable - Miscellaneous	17,574	-	-	-	-	17,574	-	17,574
126 Accounts Receivable - Tenants	101,941	-	-	-	-	101,941	-	101,941
126.1 Allowance for Doubtful Accounts -Tenants	-49,504	-	-	-	-	-49,504	-	-49,504
126.2 Allowance for Doubtful Accounts - Other	-3,000	-	-	-	-	-3,000	-	-3,000
120 Total Receivables, Net of Allowances for Doubtful Accounts	67,011	27,558	-	-	-	94,569	-	94,569
142 Prepaid Expenses and Other Assets	144,338	15,650	-	-	25,820	185,808	-	185,808
143 Inventories	121,463	-	-	-	-	121,463	-	121,463
143.1 Allowance for Obsolete Inventories	-15,300	-	-	-	-	-15,300	-	-15,300
144 Inter Program Due From	-	-	-	-	238,450	238,450	-238,450	-
150 Total Current Assets	3,930,422	741,839	43,356	239,063	2,708,437	7,663,117	-238,450	7,424,667
161 Land	3,111,825	-	-	-	35,425	3,147,250	-	3,147,250
162 Buildings	72,538,231	-	-	-	1,472,852	74,011,083	-	74,011,083
164 Furniture, Equipment & Machinery - Administration	1,497,512	86,554	-	-	331,623	1,915,689	-	1,915,689
166 Accumulated Depreciation	-66,067,039	-76,792	-	-	-1,752,604	-67,896,435	-	-67,896,435
160 Total Capital Assets, Net of Accumulated Depreciation	11,080,529	9,762	-	-	87,296	11,177,587	-	11,177,587
171 Notes, Loans and Mortgages Receivable - Non-Current	609,184	-	-	-	-	609,184	-	609,184
174 Other Assets	4,617	2,268	-	-	2,564	9,449	-	9,449
180 Total Non-Current Assets	11,694,330	12,030	-	-	89,860	11,796,220	-	11,796,220
200 Deferred Outflow of Resources	617,450	303,280	-	-	342,702	1,263,432	-	1,263,432
290 Total Assets and Deferred Outflow of Resources	16,242,202	1,057,149	43,356	239,063	3,140,999	20,722,769	-238,450	20,484,319
312 Accounts Payable <= 90 Days	41,344	1,900	-	-	6,036	49,280	-	49,280
321 Accrued Wage/Payroll Taxes Payable	40,493	23,344	-	-	26,801	90,638	-	90,638
322 Accrued Compensated Absences - Current Portion	25,577	13,167	-	-	10,728	49,472	-	49,472
331 Accounts Payable - HUD PHA Programs	-	819	34,741	-	-	35,560	-	35,560
341 Tenant Security Deposits	120,634	-	-	-	-	120,634	-	120,634
347 Inter Program - Due To	-	229,835	8,615	-	-	238,450	-238,450	-
310 Total Current Liabilities	228,048	269,065	43,356	-	43,565	584,034	-238,450	345,584

BUTLER METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2017

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
353 Non-current Liabilities - Other	-	9,465	-	-	-	9,465	-	9,465
354 Accrued Compensated Absences - Non Current	178,251	69,585	-	-	131,601	379,437	-	379,437
357 Accrued Pension and OPEB Liabilities	1,683,304	826,806	-	-	934,285	3,444,395	-	3,444,395
350 Total Non-Current Liabilities	1,861,555	905,856	-	-	1,065,886	3,833,297	-	3,833,297
300 Total Liabilities	2,089,603	1,174,921	43,356	-	1,109,451	4,417,331	-238,450	4,178,881
400 Deferred Inflow of Resources	224,439	11,423	-	-	12,908	248,770	-	248,770
508.4 Net Investment in Capital Assets	11,080,529	9,762	-	-	87,296	11,177,587	-	11,177,587
511.4 Restricted Net Position	621,426	385,702	-	-	-	1,007,128	-	1,007,128
512.4 Unrestricted Net Position	2,226,205	-524,659	-	239,063	1,931,344	3,871,953	-	3,871,953
513 Total Equity - Net Assets / Position	13,928,160	-129,195	-	239,063	2,018,640	16,056,668	-	16,056,668
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	16,242,202	1,057,149	43,356	239,063	3,140,999	20,722,769	-238,450	20,484,319

**BUTLER METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	1,917,642	-	-	-	-	1,917,642	-	1,917,642
70400 Tenant Revenue - Other	26,227	-	-	-	-	26,227	-	26,227
70500 Total Tenant Revenue	1,943,869	-	-	-	-	1,943,869	-	1,943,869
70600 HUD PHA Operating Grants	4,614,695	14,108,396	26,938	-	-	18,750,029	-	18,750,029
70610 Capital Grants	1,600,788	-	-	-	-	1,600,788	-	1,600,788
70710 Management Fee	-	-	-	-	932,932	932,932	-932,932	-
70720 Asset Management Fee	-	-	-	-	136,690	136,690	-136,690	-
70730 Book Keeping Fee	-	-	-	-	186,136	186,136	-186,136	-
70700 Total Fee Revenue	-	-	-	-	1,255,758	1,255,758	-1,255,758	-
71100 Investment Income - Unrestricted	1,455	500	-	244	-	2,199	-	2,199
71400 Fraud Recovery	-	9,470	-	-	-	9,470	-	9,470
71500 Other Revenue	143,406	176,470	-	-	15,155	335,031	-	335,031
72000 Investment Income - Restricted	755	-	-	-	-	755	-	755
70000 Total Revenue	8,304,968	14,294,836	26,938	244	1,270,913	23,897,899	-1,255,758	22,642,141
91100 Administrative Salaries	360,980	603,033	-	-	509,637	1,473,650	-	1,473,650
91200 Auditing Fees	6,730	5,004	100	-	1,204	13,038	-	13,038
91300 Management Fee	784,137	140,280	8,515	-	-	932,932	-932,932	-
91310 Book-keeping Fee	98,461	87,675	-	-	-	186,136	-186,136	-
91500 Employee Benefit contributions - Administrative	240,161	371,859	-	-	241,831	853,851	-	853,851
91600 Office Expenses	133,187	86,675	-	-	100,991	320,853	-	320,853
91700 Legal Expense	24,867	10,512	-	-	4,202	39,581	-	39,581
91800 Travel	4,006	4,005	-	-	22,962	30,973	-	30,973
91900 Other	196,064	296	-	10,275	66,145	272,780	-	272,780
91000 Total Operating - Administrative	1,848,593	1,309,339	8,615	10,275	946,972	4,123,794	-1,119,068	3,004,726
92000 Asset Management Fee	136,690	-	-	-	-	136,690	-136,690	-
92400 Tenant Services - Other	9,057	-	-	-	-	9,057	-	9,057
92500 Total Tenant Services	9,057	-	-	-	-	9,057	-	9,057
93100 Water	150,228	-	-	-	310	150,538	-	150,538
93200 Electricity	407,291	-	-	-	18,728	426,019	-	426,019
93300 Gas	174,722	-	-	-	-	174,722	-	174,722
93600 Sewer	214,300	-	-	-	235	214,535	-	214,535
93800 Other Utilities Expense	32,407	-	-	-	-	32,407	-	32,407
93000 Total Utilities	978,948	-	-	-	19,273	998,221	-	998,221
94100 Ordinary Maintenance and Operations - Labor	730,152	-	-	-	-	730,152	-	730,152

**BUTLER METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
94200 Ordinary Maintenance and Operations - Materials and Other	295,421	-	-	-	-	295,421	-	295,421
94300 Ordinary Maintenance and Operations Contracts	1,370,756	64,433	-	-	65,603	1,500,792	-	1,500,792
94500 Employee Benefit Contributions - Ordinary Maintenance	499,148	-	-	-	-	499,148	-	499,148
94000 Total Maintenance	2,895,477	64,433	-	-	65,603	3,025,513	-	3,025,513
95200 Protective Services - Other Contract Costs	9,776	-	-	-	2,184	11,960	-	11,960
95300 Protective Services - Other	21,194	1,600	-	-	-	22,794	-	22,794
95000 Total Protective Services	30,970	1,600	-	-	2,184	34,754	-	34,754
96110 Property Insurance	226,372	-	-	-	25,299	251,671	-	251,671
96120 Liability Insurance	-	1,314	-	-	-	1,314	-	1,314
96100 Total insurance Premiums	226,372	1,314	-	-	25,299	252,985	-	252,985
96200 Other General Expenses	-	7,335	-	-	225	7,560	-	7,560
96210 Compensated Absences	16,440	3,311	-	-	25,087	44,838	-	44,838
96400 Bad debt - Tenant Rents	146,467	-	-	-	-	146,467	-	146,467
96000 Total Other General Expenses	162,907	10,646	-	-	25,312	198,865	-	198,865
96900 Total Operating Expenses	6,289,014	1,387,332	8,615	10,275	1,084,643	8,779,879	-1,255,758	7,524,121
97000 Excess of Operating Revenue over Operating Expenses	2,015,954	12,907,504	18,323	-10,031	186,270	15,118,020	-	15,118,020
97100 Extraordinary Maintenance	209,153	-	-	-	-	209,153	-	209,153
97200 Casualty Losses - Non-capitalized	13,546	500	-	-	-	14,046	-	14,046
97300 Housing Assistance Payments	-	13,080,398	18,323	-	-	13,098,721	-	13,098,721
97350 HAP Portability-In	-	142,024	-	-	-	142,024	-	142,024
97400 Depreciation Expense	1,730,811	3,899	-	-	9,000	1,743,710	-	1,743,710
90000 Total Expenses	8,242,524	14,614,153	26,938	10,275	1,093,643	23,987,533	-1,255,758	22,731,775
10010 Operating Transfer In	165,651	-	-	-	-	165,651	-165,651	-
10020 Operating transfer Out	-165,651	-	-	-	-	-165,651	165,651	-
10091 Inter Project Excess Cash Transfer In	470,138	-	-	-	-	470,138	-470,138	-
10092 Inter Project Excess Cash Transfer Out	-470,138	-	-	-	-	-470,138	470,138	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	62,444	-319,317	-	-10,031	177,270	-89,634	-	-89,634
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	-	-
11030 Beginning Equity	14,010,800	190,122	-	249,094	1,841,370	16,291,386	-	16,291,386

**BUTLER METROPOLITAN HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL SCHEDULE
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14,871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-145,084	-	-	-	-	-145,084	-	-145,084
11170 Administrative Fee Equity	-	-547,730	-	-	-	-547,730	-	-547,730
11180 Housing Assistance Payments Equity	-	385,702	-	-	-	385,702	-	385,702
11190 Unit Months Available	13,718	29,076	132	-	-	42,926	-	42,926
11210 Number of Unit Months Leased	13,135	24,310	51	-	-	37,496	-	37,496

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ Program/Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
Public and Indian Housing	14.850	\$ 3,937,030
Public Housing Capital Fund	14.872	2,278,453
Section 8 Project Based Cluster:		
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	26,938
Total Section 8 Project Based Cluster		<u>26,938</u>
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	14,108,396
Total Housing Voucher Cluster		<u>14,108,396</u>
Total U.S. Department of Housing and Urban Development		<u><u>20,350,817</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 20,350,817</u></u>

This schedule is prepared on the accrual basis of accounting.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1: **BASIS OF PRESENTATION**

The accompanying schedule of Expenditures of federal awards (the Schedule) includes the federal award activity of the Butler Metropolitan Housing Authority under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented 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 Butler Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Butler Metropolitan Housing Authority.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the GAAP basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3: **INDIRECT COST RATE**

Butler Metropolitan Housing Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**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**

To the Members of the Board
Butler Metropolitan Housing Authority
Hamilton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Butler Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 19, 2017

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

To the Members of the Board
Butler Metropolitan Housing Authority
Hamilton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Butler Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Butler Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 19, 2017

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

2017(i) Type of Financial Statement Opinion	Unmodified
2017(ii) Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2017(ii) Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2017(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv) Were there any material internal control weaknesses reported for major federal programs?	No
2017(iv) Were there any significant deficiencies in internal control reported for major federal programs?	No
2017(v) Type of Major Programs' Compliance Opinion	Unmodified
2017(vi) Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii) Major Programs (list): Public and Indian Housing - CFDA# 14.850 Public Housing Capital Fund - CFDA# 14.872	
2017(viii) Dollar Threshold: Type A\B Programs	Type A: \$750,000 Type B: All Others
2017(ix) Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The prior period 2017 had no findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

BUTLER METROPOLITAN HOUSING AUTHORITY

BUTLER 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
FEBRUARY 20, 2018**