# BUTLER METROPOLITAN HOUSING AUTHORITY
## BUTLER COUNTY, OHIO

## SINGLE AUDIT REPORT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of Butler Metropolitan Housing Authority, Butler County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2020 through June 30, 2021. 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. Butler Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

**December 27, 2021**

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**BUTLER METROPOLITAN HOUSING AUTHORITY**
**BUTLER COUNTY, OHIO**
**SINGLE AUDIT REPORT**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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*5240 East 98th Street*
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# 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, 2021, 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, 2021, 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.

***Emphasis of Matter***

As discussed in Note N to the basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. Our opinion is not modified with respect to this matter.

***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 and Postemployment Benefit Liabilities and Pension and Postemployment Benefit 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 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 also not a required part of the basic financial statements.

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 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 8, 2021, 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.

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

December 8, 2021

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 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 decreased by $2.61 million (10 percent) from FY 2020. Total revenue was $25.9 million and $23.2 million for FY 2020 and FY 2021, respectively.

- The total expenses of all Authority programs decreased by $3.5 million (15 percent). Total expenses were $24.0 million and $20.5 million for FY 2020 and FY 2021, respectively.

- In March 2020, the United States and the State of Ohio declared a state of emergency due to the COVID-19 pandemic. HUD awarded the Authority's Public Housing Program and Housing Choice Voucher Program CARES funding to help the Authority address the Authority's needs related to preparing for, preventing, and responding to the coronavirus in this period.

### 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.

Net Position is reported in three broad categories:

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 "Investment in Capital Assets" 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 Authority-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.

**Table 1 - Condensed Statement of Net Position**

| | 2021 | 2020 | Change | % Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | $ 11,359,000 | $ 10,718,000 | $ 641,000 | 6% |
| Capital Assets | 9,199,000 | 9,997,000 | (798,000) | -8% |
| Other Non-current Assets | 902,000 | 628,000 | 274,000 | 44% |
| **Total Assets** | 21,460,000 | 21,343,000 | 117,000 | 5% |
| **Deferred Outflows** | 351,000 | 645,000 | (294,000) | -46% |
| **Liabilities** | | | | |
| Current Liabilities | 508,000 | 1,568,000 | (1,060,000) | -68% |
| Non-current Liabilities | 2,708,000 | 5,286,000 | (2,578,000) | -49% |
| **Total Liabilities** | 3,216,000 | 6,854,000 | (3,638,000) | -53% |
| **Deferred Inflows** | 2,050,000 | 1,302,000 | 748,000 | 57% |
| **Net Position** | | | | |
| Invested in Capital | 9,199,000 | 9,997,000 | (798,000) | -8% |
| Restricted | 789,000 | 695,000 | 94,000 | 14% |
| Unrestricted | 6,557,000 | 3,140,000 | 3,417,000 | 109% |
| **Total Net Position** | $ 16,545,000 | $ 13,832,000 | $ 2,713,000 | 20% |

## Major Factors Affecting the Statement of Net Position

The most notable change on the Statement of Net Position was the change to unrestricted net position which increased a little more than $3.4 million (or 109%). One big reason for the change in unrestricted net position is that net pension and net OPEB liabilities dropped by almost $2.7 million. Net pension and net OPEB liabilities are a part of non-current liabilities, and the changes in those two amounts is the primary reason that balance changed as much as it did from last year. Otherwise, the change in unrestricted net position reflects that current assets increased about $641,000 while current liabilities decreased about $1,060,000. Current assets and current liabilities last year were a bit inflated thanks to large offsetting balances affecting both current assets and current liabilities related to the large insurance claim being wrapped up near the end of the period last year. But, in addition, current assets increased when current liabilities decreased due to favorable results from operations.

The net pension liability and net OPEB liability, as well as the net OPEB asset, deferred outflow of resources and deferred inflow of resources, are balances reported as called for in the accounting standards GASB 68 & GASB 75. Changes in these balances for Butler MHA reflect changes in the financial balances of the retirement system, the Ohio Public Employees Retirement System (OPERS). Employees of Butler MHA are required by state law to be members of OPERS and Butler MHA is required to make retirement contributions on behalf of all of its employees to OPERS. GASB 68 & GASB 75 require that governmental entities in Ohio, of which Butler MHA is one, report what is estimated to be its share of the unfunded pension liability of the retirement system, and report what is estimated to be its share of the OPEB funding surplus of the retirement system. So the changes in these balances on the Butler MHA Statement of Net Position reflect changes in financial balances for the retirement system as opposed to changes in Butler MHA operations.

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**

| | 2021 | 2020 | Change | % Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Tenant Revenues | $ 2,451,000 | $ 2,448,000 | $ 3,000 | 0% |
| Subsidies | 19,602,000 | 20,054,000 | (452,000) | -2% |
| Capital Grants | 919,000 | 2,552,000 | (1,633,000) | -64% |
| Interest Income | 5,000 | 10,000 | (5,000) | -50% |
| Other Income | 268,000 | 793,000 | (525,000) | -66% |
| **Total Revenues** | 23,245,000 | 25,857,000 | (2,612,000) | -10% |
| **Expenses** | | | | |
| Administrative | 1,209,000 | 2,887,000 | (1,678,000) | -58% |
| Tenant Services | 825,000 | 439,000 | 386,000 | 88% |
| Utilities | 1,217,000 | 1,182,000 | 35,000 | 3% |
| Maintenance and Operation | 1,946,000 | 3,400,000 | (1,454,000) | -43% |
| General and Interest | 591,000 | 664,000 | (73,000) | -11% |
| HAP | 13,496,000 | 13,527,000 | (31,000) | 0% |
| Depreciation | 1,248,000 | 1,922,000 | (674,000) | -35% |
| **Total Expenses** | 20,532,000 | 24,021,000 | (3,489,000) | -15% |
| Change in Net Position | 2,713,000 | 1,836,000 | | |
| Total Net Position - Beginning | 13,832,000 | 11,996,000 | | |
| **Total Net Position - Ending** | $ 16,545,000 | $ 13,832,000 | | |

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

Total incomes decreased a little more than $2.6 million (or about 10%) but total expenses decreased almost $3.5 million (or about 15%). The largest drops on the income side were to capital grant revenue and other income. Other income last year was unusually high thanks to revenue recognized from a large insurance claim of about $570,000. So that change was not unexpected. And the drop in capital grant income of more than $1.6 million is due to normal fluctuation in when Capital Fund Program (CFP) grant funds are expended. HUD awards the Authority CFP funding annually based on a formula taking into consideration the age and construction features of the Authority's Public Housing rental units. The Authority typically has up to four years to spend CFP funding and the revenue is earned when it is spent. So this reduction in capital grant revenue does not reflect a reduction in a funding source but rather just a normal fluctuation in when the grant funds are spent.

The notable changes to expenses were to administrative, tenant services and maintenance expenses, and to depreciation expense. The reduction in depreciation expense is largely due to improvements made to the Authority's Public Housing program rental units using CFP funding more than 10 years ago. Improvements made using CFP funds are depreciated over their estimated ten-year life. This drop in depreciation expense reflects a large amount of improvements made more than 10 years ago reaching the point of being fully depreciated. The changes to administrative, tenant services and maintenance expenses are somewhat related. First HUD directs PHAs to report costs of preparing for, preventing and responding to covid as tenant services expenses. So the increase in tenant services expense to a large extent reflects administrative costs and maintenance costs that were determined to be related to the Authority's efforts to prepare for, prevent and respond to covid. That classification of more administrative and maintenance expenses as tenant services helped administrative and maintenance expenses drop. But the big push to making those expenses decrease as much as they did is the negative pension expense of more than $1.9 million. Pension expense is the balance that is affected by changes in the balances reported in accordance with GASB 68 and GASB 75, balances on the Statement of Net Position that changed dramatically. And pension expense is reported as benefits expenses in the administrative expense and maintenance expense areas, so the very large negative pension expense is causing a big decrease in these expenses on the Statement of Revenues, Expenses and Changes in Net Position.

The following summarizes the change in Capital Assets.

**Table 3 - Condensed Changes in Capital Assets**

| | 2021 | 2020 | Change | % Change |
|---|---|---|---|---|
| **Capital Assets** | | | | |
| Land | $ 3,147,000 | $ 3,147,000 | $ 0 | 0% |
| Buildings and Improvements | 78,195,000 | 77,744,000 | 451,000 | 1% |
| Equipment | 1,132,000 | 1,462,000 | (330,000) | -23% |
| Accumulated Depreciation | (73,275,000) | (72,356,000) | (919,000) | 1% |
| **Total Capital Assets** | $ 9,199,000 | $ 9,997,000 | $ (798,000) | -8% |

**Debt**

The Authority has no debt at June 30, 2021.

## ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the 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 Authority programs is not favorable. Cuts in HUD funding for Authority programs eventually means cuts in what the Authority 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 Butler Metropolitan Housing Authority's finances and to show the 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
# JUNE 30, 2021

| | |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash and Cash Equivalents - Unrestricted | $ 9,407,986 |
| Cash and Cash Equivalents - Restricted | 1,112,483 |
| Accounts Receivable, Net | 527,968 |
| Prepaid Expenses | 185,442 |
| Inventories | 125,502 |
| **Total Current Assets** | 11,359,381 |
| | |
| **Noncurrent Assets** | |
| Capital Assets: | |
| Non-depreciable Capital Assets | 3,147,250 |
| Depreciable Capital Assets, Net | 6,051,435 |
| Total Capital Assets | 9,198,685 |
| Notes Receivable | 586,381 |
| Net Pension Asset | 52,398 |
| Net OPEB Asset | 263,335 |
| **Total Noncurrent Assets** | 10,100,799 |
| | |
| **Deferred Outflows of Resources** | |
| Pension | 208,457 |
| OPEB | 142,828 |
| **Total Deferred Outflows of Resources** | 351,285 |
| | |
| **TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | $ 21,811,465 |
| | |
| **LIABILITIES AND NET POSITION** | |
| **Current Liabilities** | |
| Accounts Payable | $ 239,412 |
| Accrued Liabilities | 109,874 |
| Tenant Security Deposits | 105,984 |
| Intergovernmental Payables | 28,146 |
| Unearned Revenue | 24,010 |
| **Total Current Liabilities** | 507,426 |
| | |
| **Noncurrent Liabilities** | |
| Accrued Compensated Absences | 486,677 |
| Net Pension Liability | 2,221,618 |
| **Total Noncurrent Liabilities** | 2,708,295 |
| **TOTAL LIABILITIES** | 3,215,721 |
| | |
| **Deferred Inflow of Resources** | |
| Pension | 1,022,423 |
| OPEB | 835,651 |
| Prepaid Ground Lease | 192,534 |
| **Total Deferred Inflow of Resources** | 2,050,608 |
| | |
| **NET POSITION** | |
| Investment in Capital Assets | 9,198,685 |
| Restricted Net Position | 789,564 |
| Unrestricted Net Position | 6,556,887 |
| **TOTAL NET POSITION** | 16,545,136 |
| | |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | $ 21,811,465 |

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, 2021

| | |
|---|---|
| **Operating Revenue** | |
| Tenant Revenue | $ 2,451,065 |
| Governmental Grants and Subsidy | 19,601,994 |
| Other Income | 227,679 |
| **Total Operating Revenue** | 22,280,738 |
| | |
| **Operating Expenses** | |
| Administration | 1,208,790 |
| Tenant Services | 824,665 |
| Utilities | 1,217,120 |
| Maintenance and Operation | 1,946,165 |
| Protective Services | 80,970 |
| General Expense | 509,962 |
| Housing Assistance Payments | 13,496,323 |
| Depreciation | 1,248,183 |
| **Total Operating Expenses** | 20,532,178 |
| **Net Operating Income (Loss)** | 1,748,560 |
| | |
| **Nonoperating Revenues/(Expenses)** | |
| Gain on Disposition of Capital Assets | 40,243 |
| Investment Income | 5,053 |
| Net Nonoperating Revenues | 45,296 |
| **Net Income/(Loss) before Capital Grants** | 1,793,856 |
| | |
| Capital Grants | 919,592 |
| **Increase in Net Position** | 2,713,448 |
| | |
| Total Net Position - Beginning | 13,831,688 |
| **Total Net Position - Ending** | $ 16,545,136 |

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

# BUTLER METROPOLITAN HOUSING AUTHORITY
# BUTLER COUNTY, OHIO
# STATEMENT OF CASH FLOWS
# PROPIETARY FUNDS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Operating Grants Received | $ 19,661,714 |
| Tenant Revenue Received | 2,269,346 |
| Other Revenue Received | 227,439 |
| Administrative Expenses | (2,780,655) |
| Other Operating Expenses | (5,143,715) |
| Housing Assistance Payments | (13,496,323) |
| **Net Cash Provided from Operating Activities** | 737,806 |
| | |
| **Cash Flows from Capital and Related Financing Activities** | |
| Insurance Proceeds | 564,538 |
| Capital Grants Received | 919,592 |
| Property and Equipment Purchased | (919,592) |
| **Net Cash Provided from Capital and Related Financing Activities** | 564,538 |
| | |
| **Cash Flows from Investing Activities** | |
| Notes Receivable Proceeds | 8,507 |
| Interest Earned | 5,053 |
| **Net Cash Provided from Investing Activities** | 13,560 |
| Net Increase in Cash | 1,315,904 |
| | |
| Cash and Cash Equivalents at Beginning of Year | 9,204,565 |
| **Cash and Cash Equivalents at End of Year** | $ 10,520,469 |
| | |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities** | |
| Net Operating Income (Loss) | $ 1,748,560 |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | |
| Depreciation | 1,248,183 |
| Decrease (Increase) in Accounts Receivable | 38,932 |
| Decrease (Increase) in Prepaid and Other Assets | (239,621) |
| Decrease (Increase) in Inventory | 24,042 |
| Decrease (Increase) in Deferred Outflows | 293,911 |
| Increase (Decrease) in Unearned Revenue | (148,021) |
| Increase (Decrease) in Accounts Payable | (189,544) |
| Increase (Decrease) in Accrued Expenses | (32,827) |
| Increase (Decrease) in Intergovernmental | 16,178 |
| Increase (Decrease) in Tenant Security Deposits | (13,150) |
| Increase (Decrease) in Compensated Absence | (75,184) |
| Increase (Decrease) in Net Pension and OPEB Liabilities | (2,682,053) |
| Increase (Decrease) in Deferred Inflows | 748,400 |
| **Net Cash Provided from Operating Activities** | $ 737,806 |

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

### 1. Introduction

The financial statements of the Butler Metropolitan Housing Authority ("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 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 Authority 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 Pleas 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.

**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.

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 Authority's activities are included on the Statement of Net Position. The Authority uses the following fund:

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

**4. Basis of Presentation, Basis of Accounting and Measurement Focus** (Continued)

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 "net investment in capital assets".

**5. Accounting and Reporting for Non-exchange Transactions**

Non-exchange transactions occur when a Public Housing Authority receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of non-exchange transaction as follows:

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

**NOTE A: <u>SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY</u>** (Continued)

**5. <u>Accounting and Reporting for Non-Exchange Transactions</u>** (Continued)

- 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. <u>Revenues and Expenses</u>**

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.

**7. <u>Encumbrances</u>**

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

**8. <u>Budgets</u>**

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. <u>Inventories</u>**

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.

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

**10. Capital Assets and Depreciation**

Capital assets are stated at historical cost. 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 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 expended, in the appropriate fund, on the specific write-off method.

**12. Insurance**

The Authority purchases insurance policies to protect the Authority from commercial business risks. 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.

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

**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.

**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 and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note G and Note H respectively.

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, OPEB and a prepaid ground lease. The deferred inflows of resources related to pension and OPEB are explained in Note G and Note H respectively. The deferred inflows of resources related to the prepaid ground lease is explained in Note N.

| | |
|---|---|
| **Deferred Outflows** | |
| Pension | $ 208,457 |
| OPEB | 142,828 |
| **Total Deferred Outflows** | $ 351,285 |
| | |
| **Deferred Inflows** | |
| Pension | $ 1,022,423 |
| OPEB | 835,651 |
| Prepaid Ground Lease | 192,534 |
| **Total Deferred Inflows** | $ 2,050,608 |

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

**17. Pensions/Other Post Employment Benefits (OPEB)**

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

**18. Estimates**

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

**19. Change in Accounting Principle**

During 2021, the Authority implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Authority.

## 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, 2021, the Authority's deposits had a carrying amount of $10,520,469 (including $1,200 of petty cash) and a bank balance of $10,758,258. Of the bank balances held in various financial institutions, $250,000 was covered by Federal Depository Insurance and the remainder was collateralized by securities pledged in the name of the Authority.

***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, 2021, consisted of the following:

| | |
|---|---|
| **Cash and Cash Equivalents** | |
| Checking - Unrestricted | $ 9,406,786 |
| Cash - Restricted | 1,112,483 |
| Petty Cash | 1,200 |
| **Total Cash and Cash Equivalents** | $10,520,469 |
| **Restricted Cash and Cash Investments** | |
| Tenant Security Deposits | $ 105,984 |
| Excess Funding Advanced | 10 |
| HCV HAP Equity/Net Restricted Assets | 289,710 |
| Restricted for Development | 692,388 |
| Unearned HCV CARES Funding Advanced | 24,000 |
| Accounts Payable HUD - Section 8 Programs | 391 |
| **Total Restricted Cash and Cash Investments** | $ 1,112,483 |

## NOTE C: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021, consisted of the following:

| | |
|---|---|
| Tenants (Net of Allowance of $72,300) | $ 277,583 |
| Accounts Receivable - Other PHAs - HCV Port Cases | 145,998 |
| Accounts Recievable - HUD | 104,387 |
| | $ 527,968 |

## NOTE D: CAPITAL ASSETS

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2021:

| | Balance 6/30/2020 | Additions | Deletions | Balance 6/30/2021 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land | $ 3,147,250 | $ 0 | $ 0 | $ 3,147,250 |
| **Total Capital Assets Not Being Depreciated** | 3,147,250 | 0 | 0 | 3,147,250 |
| **Capital Assets Being Depreciated** | | | | |
| Buildings and Improvements | 77,743,848 | 919,592 | (469,345) | 78,194,095 |
| Furniture and Equipment | 1,461,672 | 0 | (329,385) | 1,132,287 |
| **Subtotal Capital Assets Being Depreciated** | 79,205,520 | 919,592 | (798,730) | 79,326,382 |
| **Accumulated Depreciation** | | | | |
| Buildings and Improvements | (70,932,048) | (1,221,472) | 0 | (72,153,520) |
| Furniture and Equipment | (1,424,101) | (26,711) | 329,385 | (1,121,427) |
| **Subtotal Accumulated Depreciation** | (72,356,149) | (1,248,183) | 329,385 | (73,274,947) |
| Depreciable Assets, Net | 6,849,371 | (328,591) | (469,345) | 6,051,435 |
| **Total Capital Assets, Net** | $ 9,996,621 | $ (328,591) | $ (469,345) | $ 9,198,685 |

## 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, 2021, the Note Receivable balance is $586,381.

### 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.

**NOTE E: NOTE RECEIVABLE** (Continued)

**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.

**NOTE F: SUMMARY OF CHANGES OF LONG-TERM LIABILITIES**

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

| | July 1, 2020 | Additions | Deletions | Balance June 30, 2021 | Current Portion |
|---|---|---|---|---|---|
| Compensated Absences | $ 561,861 | $ 7,471 | $ (82,655) | $ 486,677 | $ 0 |
| Net Pension Liability | 2,885,789 | 0 | (664,171) | 2,221,618 | 0 |
| Net OPEB Liability | 2,017,882 | 0 | (2,017,882) | 0 | 0 |
| **Total** | $ 5,465,532 | $ 7,471 | $ (2,764,708) | $ 2,708,295 | $ 0 |

**NOTE G: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability/Asset***

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

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

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

**NOTE G: DEFINED BENEFIT PENSION PLANS** (Continued)

***Net Pension Liability/Asset*** (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*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued liabilities*.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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.

During 2019, the OPERS Board of Trustees approved changes to the Combined Plan and the Member-Directed Plan. Beginning in 2022, the Combined Plan will be consolidated under the Traditional Plan. Effective January 1, 2022, the Combined Plan option will no longer be available for new hires. The Member-Directed Plan will be modified with changes to the vesting schedule, annuitization, mitigating rate, cost-of-living adjustment and retiree medical account funding. These changes would impact future new members and are in the process of being implemented and the final implementation date will be determined in conjunction with Group D, discussed below.

## NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

***Plan Description – Ohio Public Employees Retirement System (OPERS)*** (Continued)

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

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>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 and Service Requirements:** | **Age and Service Requirements:** |
| Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age 62 with 60 months of service credit or Age 57 with 25 years of service credit |
| **Formula:** | **Formula:** | **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 | 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | 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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

When a traditional plan 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 2019, the COLA is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

A death benefit of $500 - $2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

**NOTE G: DEFINED BENEFIT PENSION PLANS** (Continued)

***Plan Description – Ohio Public Employees Retirement System (OPERS)*** (Continued)

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of future new OPERS contributing members. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care. The date of implementation will be determined when finalized changes are approved.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

## NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

***Plan Description – Ohio Public Employees Retirement System (OPERS)*** (Continued)

| | State and Local |
|---|---|
| **2021 Statutory Maximum Contribution Rates** | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| | |
| **2021 Actual Contribution Rates** | |
| Employer: | |
| Pension ** | 14.0 % |
| Post-Employment Health Care Benefits ** | 0.0 % |
| Total Employer | 14.0 % |
| | |
| Employee | 10.0 % |

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer’s contribution allocated to health care was 0% for 2020-2021 for the Traditional and Combined plans. The portion of the employer’s contribution allocated to health care was 4% for the Member-Directed plan for 2020-2021. The Authority’s contractually required contributions used to fund pension benefits was $299,770 for fiscal year ending June 30, 2021.

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

The net pension liability/asset for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability/asset was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

## NOTE G: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** (Continued)

| | OPERS Traditional Pension Plan | OPERS Combined Plan | Total |
|---|---|---|---|
| Proportion of the Net Pension Liability/Asset Prior Measurement Date | 0.014600% | 0.015996% | |
| Proportion of the Net Pension Liability/Asset Current Measurement Date | 0.015003% | 0.018152% | |
| Change in Proportionate Share | 0.000403% | 0.002156% | |
| Proportionate Share of the Net Pension Liability/(Asset) | $ 2,221,618 | $ (52,398) | $ 2,169,220 |
| Pension Expense | $ (140,292) | $ (4,057) | $ (144,349) |

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS Traditional Pension Plan | OPERS Combined Plan | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Changes of assumptions | $ 0 | $ 3,271 | $ 3,271 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 55,105 | 2,872 | 57,977 |
| Authority contributions subsequent to the measurement date | 142,799 | 4,410 | 147,209 |
| Total Deferred Outflows of Resources | $ 197,904 | $ 10,553 | $ 208,457 |
| **Deferred Inflows of Resources** | | | |
| Net difference between projected and actual earnings on pension plan investments | $ 865,923 | $ 7,793 | $ 873,716 |
| Differences between expected and actual experience | 92,932 | 9,884 | 102,816 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 42,674 | 3,217 | 45,891 |
| Total Deferred Inflows of Resources | $ 1,001,529 | $ 20,894 | $ 1,022,423 |

**NOTE G: DEFINED BENEFIT PENSION PLANS** (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** (Continued)

$147,209 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS Traditional Pension Plan | OPERS Combined Plan | Total |
|---|---|---|---|
| Year Ending June 30: | | | |
| 2022 | $ (371,666) | $ (3,564) | $ (375,230) |
| 2023 | (103,679) | (2,197) | (105,876) |
| 2024 | (352,980) | (3,987) | (356,967) |
| 2025 | (118,099) | (1,776) | (119,875) |
| 2026 | 0 | (1,071) | (1,071) |
| Thereafter | 0 | (2,156) | (2,156) |
| Total | $ (946,424) | $ (14,751) | $ (961,175) |

***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, 2020, 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. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

**NOTE G: <u>DEFINED BENEFIT PENSION PLANS</u>** (Continued)

***Actuarial Assumptions – OPERS*** (Continued)

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| COLA or Ad Hoc COLA | Pre 1/7/2013 retirees; 3 percent, simple<br>Post 1/7/2013 retirees; 0.50 percent, simple<br>through 2021, then 2.15 percent simple |
| Investment Rate of Return | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age |

The total pension asset in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA | Pre 1/7/2013 retirees; 3 percent, simple<br>Post 1/7/2013 retirees; 0.50 percent, simple<br>through 2021, then 2.15 percent simple |
| Investment Rate of Return | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age |

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

**NOTE G: DEFINED BENEFIT PENSION PLANS** (Continued)

***Actuarial Assumptions – OPERS*** (Continued)

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.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.7 percent for 2020.

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 2020 and the long-term expected real rates of return:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 25.00 % | 1.32 % |
| Domestic Equities | 21.00 | 5.64 |
| Real Estate | 10.00 | 5.39 |
| Private Equity | 12.00 | 10.42 |
| International Equities | 23.00 | 7.36 |
| Other investments | 9.00 | 4.75 |
| Total | 100.00 % | 5.43 % |

## NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

***Actuarial Assumptions – OPERS*** (Continued)

***Discount Rate*** The discount rate used to measure the total pension liability was 7.2 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.

***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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

| Authority's proportionate share of the net pension liability/(asset) | 1% Decrease (6.20%) | Current Discount Rate (7.20%) | 1% Increase (8.20%) |
|---|---|---|---|
| Traditional Pension Plan | $ 4,237,747 | $ 2,221,618 | $ 545,209 |
| Combined Plan | $ (36,486) | $ (52,398) | $ (64,258) |

## NOTE H: DEFINED BENEFIT OPEB PLANS

***Net OPEB Asset***

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

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

**NOTE H: DEFINED BENEFIT OPEB PLANS** (Continued)

***Net OPEB Asset*** (Continued)

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

GASB 75 assumes any liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset. Resulting adjustments to the net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's funded benefits is presented as a long-term *net OPEB asset*. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *accrued liabilities*.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

The 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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

**NOTE H: DEFINED BENEFIT OPEB PLANS** (Continued)

***Plan Description – Ohio Public Employees Retirement System (OPERS)*** (Continued)

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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020-2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2020-2021 was 4.0 percent.

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

The Authority's contractually required contribution allocated to health care was $486 for fiscal year 2021.

## NOTE H: DEFINED BENEFIT OPEB PLANS (Continued)

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB asset was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | OPERS |
|---|---|
| Proportion of the Net OPEB Liability: | |
| Prior Measurement Date | 0.014609% |
| Proportion of the Net OPEB Asset: | |
| Current Measurement Date | 0.014781% |
| Change in Proportionate Share | 0.000172% |
| | |
| Proportionate Share of the Net OPEB Asset | $ 263,335 |
| OPEB Expense | $ (1,628,398) |

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS |
|---|---|
| **Deferred Outflows of Resources** | |
| Changes of assumptions | $ 129,458 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 13,370 |
| Total Deferred Outflows of Resources | $ 142,828 |
| | |
| **Deferred Inflows of Resources** | |
| Net difference between projected and actual earnings on OPEB plan investments | $ 140,258 |
| Differences between expected and actual experience | 237,658 |
| Changes of assumptions | 426,682 |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 31,053 |
| Total Deferred Inflows of Resources | $ 835,651 |

**NOTE H: DEFINED BENEFIT OPEB PLANS** (Continued)

***OPEB Liabilities/(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*** (Continued)

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

| Year Ending June 30: | OPERS |
|---|---|
| 2022 | $ (375,340) |
| 2023 | (240,006) |
| 2024 | (60,949) |
| 2025 | (16,528) |
| Total | $ (692,823) |

***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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Projected Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 6.00 percent |
| Prior Measurement date | 3.16 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate | 2.00 percent |
| Health Care Cost Trend Rate | 8.50 percent initial, 3.50 percent ultimate in 2035 |
| Actuarial Cost Method | Individual Entry Age |

**NOTE H: DEFINED BENEFIT OPEB PLANS** (Continued)

***Actuarial Assumptions – OPERS*** (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested for the Health Care portfolio was 10.5 percent for 2020.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

**NOTE H: DEFINED BENEFIT OPEB PLANS** (Continued)

***Actuarial Assumptions – OPERS*** (Continued)

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 34.00 % | 1.07 % |
| Domestic Equities | 25.00 | 5.64 |
| Real Estate Investment Trust | 7.00 | 6.48 |
| International Equities | 25.00 | 7.36 |
| Other investments | 9.00 | 4.02 |
| Total | 100.00 % | 4.43 % |

***Discount Rate*** A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the Authority's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate*** The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| Authority's proportionate share of the net OPEB asset | $ 65,480 | $ 263,335 | $ 425,988 |

**NOTE H: DEFINED BENEFIT OPEB PLANS** (Continued)

***Actuarial Assumptions – OPERS*** (Continued)

***Sensitivity of the Authority's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

| | 1% Decrease | Current Health Care Cost Trend Rate Assumption | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net OPEB asset | $ 269,753 | $ 263,335 | $ 256,155 |

**NOTE I: RISK MANAGEMENT**

The Authority is exposed to various risks of losses related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of forty (40) housing authorities in Ohio, of which the Authority is a member. Settled claims have not exceeded the Authority's insurance in any of the past three years.

**NOTE J: RESTRICTED NET POSITION**

| | |
|---|---|
| HCV/HAP Equity | $ 289,710 |
| Restricted for Development - AMP 51 | 32,009 |
| Disosition Proceeds - AMP 56 | 467,845 |
| | $ 789,564 |

## NOTE K: ECONOMIC DEPENDENCY

The Authority's Housing Program and the Section 8 Housing Programs are economically dependent on annual contributions and grants from HUD. These 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, and the balance at June 30, 2021 was $192,534.

## NOTE N: COVID-19

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

HUD awarded the Authority's Public Housing Program and Housing Choice Voucher Program CARES funding to help the Authority address the Authority's needs related to preparing for, preventing, and responding to the coronavirus.

# 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 EIGHT FISCAL YEARS (1)

| **Traditional Plan** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|---|---|---|
| Authority's Proportion of the Net Pension Liability | 0.015003% | 0.014600% | 0.015504% | 0.015384% | 0.015168% | 0.015430% | 0.013959% | 0.013959% |
| Authority's Proportionate Share of the Net Pension Liability | $ 2,221,618 | $ 2,885,789 | $ 4,246,230 | $ 2,413,451 | $ 3,444,395 | $ 2,672,670 | $ 1,683,612 | $ 1,645,585 |
| Authority's Covered Payroll | 2,113,088 | 2,054,180 | 2,094,126 | 2,032,957 | 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 Payroll | 105.14% | 140.48% | 202.77% | 118.72% | 167.76% | 134.79% | 95.61% | 83.88% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.88% | 82.17% | 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

| **Combined Plan** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|---|---|---|
| Authority's Proportion of the Net Pension Asset | 0.018152% | 0.015996% | 0.016117% | 0.017704% | 0.016977% | 0.025380% | 0.026619% | 0.026619% |
| Authority's Proportionate Share of the Net Pension (Asset) | $ (52,398) | $ (33,356) | $ (18,021) | $ (24,101) | $ (9,449) | $ (12,350) | $ (10,248) | $ (2,793) |
| Authority's Covered Payroll | 79,998 | 71,209 | 68,933 | 72,508 | 69,196 | 95,370 | 95,570 | 121,708 |
| Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | 65.50% | 46.84% | 26.14% | 33.24% | 13.66% | 12.95% | 10.72% | 2.29% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 157.67% | 145.28% | 126.64% | 137.28% | 116.55% | 116.90% | 114.83% | 104.33% |

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

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

See accompanying notes to the required supplementary information

# BUTLER METROPOLITAN HOUSING AUTHORITY
# BUTLER COUNTY, OHIO
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
# OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
# LAST EIGHT FISCAL YEARS (1)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|
| Contractually Required Contributions | | | | | | | | |
| Traditional Plan | $ 289,881 | $ 295,315 | $ 299,482 | $ 276,015 | $ 243,185 | $ 232,780 | $ 218,705 | $ 235,427 |
| Combined Plan | 9,889 | 10,992 | 9,688 | 9,844 | 8,196 | 9,867 | 10,736 | 14,605 |
| Total Required Contributions | 299,770 | 306,307 | 309,170 | 285,859 | 251,381 | 242,647 | 229,441 | 250,032 |
| Contributions in Relation to the Contractually Required Contribution | (299,770) | (306,307) | (309,170) | (285,859) | (251,381) | (242,647) | (229,441) | (250,032) |
| Contribution Deficiency / (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Authority's Covered Payroll | | | | | | | | |
| Traditional Plan | $ 2,070,579 | $ 2,109,393 | $ 2,139,157 | $ 2,049,217 | $ 1,945,480 | $ 1,939,833 | $ 1,822,542 | $ 1,961,892 |
| Combined Plan | 70,636 | 78,514 | 69,200 | 73,088 | 65,568 | 82,225 | 89,467 | 121,708 |
| Pension Contributions as a Percentage of Covered Payroll | | | | | | | | |
| Traditional Plan | 14.00% | 14.00% | 14.00% | 13.47% | 12.50% | 12.00% | 12.00% | 12.00% |
| Combined Plan | 14.00% | 14.00% | 14.00% | 13.47% | 12.50% | 12.00% | 12.00% | 12.00% |

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

See accompanying notes to the required supplementary information

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Authority's Proportion of the Net OPEB Liability/Asset | 0.014781% | 0.014609% | 0.015613% | 0.015560% | 0.015330% |
| Authority's Proportionate Share of the Net OPEB Liability/(Asset) | $ (263,335) | $ 2,017,882 | $ 2,035,568 | $ 1,689,701 | $ 1,548,382 |
| Authority's Covered Payroll | $ 2,235,343 | $ 2,207,070 | $ 2,264,597 | $ 2,204,108 | $ 2,119,018 |
| Authority's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll | -11.78% | 91.43% | 89.89% | 76.66% | 73.07% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 115.57% | 47.80% | 46.33% | 54.14% | 54.05% |

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

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

See accompanying notes to the required supplementary information

# BUTLER METROPOLITAN HOUSING AUTHORITY
# BUTLER COUNTY, OHIO
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF AUTHORITY'S CONTRIBUTIONS - OPEB
# OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
# LAST SEVEN FISCAL YEARS (1)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | | 2015 |
|---|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 486 | $ 2,408 | $ 4,221 | $ 15,219 | $ 33,837 | $ 42,302 | | $ 38,605 |
| Contributions in Relation to the Contractually Required Contribution | (486) | (2,408) | (4,221) | (15,219) | (33,837) | (42,302) | | (38,605) |
| Contribution Deficiency (Excess) | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | | $ 0 |
| Authority Covered Payroll | $ 2,153,361 | $ 2,248,097 | $ 2,313,879 | $ 2,221,737 | $ 2,088,887 | $ 2,107,627 | 0 | $ 2,635,386 |
| Contributions as a Percentage of Covered Payroll | 0.02% | 0.11% | 0.18% | 0.69% | 1.62% | 2.01% | | 1.46% |

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the the information becomes available.

See accompanying notes to the required supplementary information

## *OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

### *Net Pension Liability*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2021.

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

### *Net OPEB Liability*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018-2021.

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

# BUTLER METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL SCHEDULE
# ENTITY WIDE BALANCE SHEET SUMMARY
# JUNE 30, 2021

| BUTLER METROPOLITAN HOUSING AUTHORITY (OH015) | Project Total | 14.PHC Public Housing CARES Act Funding | 14.CCC Central Office Cost Center CARES Act Funding | 1 Business Activities | 8 Other Federal Program 1 | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.EHV Emergency Housing Voucher | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 111 Cash - Unrestricted | 5,337,515 | - | - | 209,602 | - | 183,066 | - | 105,000 | 3,572,803 | 9,407,986 | - | 9,407,986 |
| 112 Cash - Restricted - Modernization and Development | 467,845 | - | - | - | - | - | - | - | 10 | 467,855 | - | 467,855 |
| 113 Cash - Other Restricted | 224,543 | - | - | - | - | 289,710 | - | 24,000 | - | 538,253 | - | 538,253 |
| 114 Cash - Tenant Security Deposits | 105,984 | - | - | - | - | - | - | - | - | 105,984 | - | 105,984 |
| 115 Cash - Restricted for Payment of Current Liabilities | - | - | - | - | - | 391 | - | - | - | 391 | - | 391 |
| **100 Total Cash** | 6,135,887 | - | - | 209,602 | - | 473,167 | - | 129,000 | 3,572,813 | 10,520,469 | - | 10,520,469 |
| | | | | | | | | | | | | |
| 121 Accounts Receivable - PHA Projects | - | - | - | - | - | 145,998 | - | - | - | 145,998 | - | 145,998 |
| 122 Accounts Receivable - HUD Other Projects | - | - | - | - | - | - | - | - | 104,387 | 104,387 | - | 104,387 |
| 126 Accounts Receivable - Tenants | 270,479 | - | - | - | - | - | - | - | - | 270,479 | - | 270,479 |
| 126.1 Allowance for Doubtful Accounts -Tenants | -63,300 | - | - | - | - | - | - | - | - | -63,300 | - | -63,300 |
| 126.2 Allowance for Doubtful Accounts - Other | -9,000 | - | - | - | - | - | - | - | - | -9,000 | - | -9,000 |
| 127 Notes, Loans, & Mortgages Receivable - Current | 79,404 | - | - | - | - | - | - | - | - | 79,404 | - | 79,404 |
| 128 Fraud Recovery | - | - | - | - | - | 76,063 | - | - | - | 76,063 | - | 76,063 |
| 128.1 Allowance for Doubtful Accounts - Fraud | - | - | - | - | - | -76,063 | - | - | - | -76,063 | - | -76,063 |
| 129 Accrued Interest Receivable | - | - | - | - | - | - | - | - | - | - | - | - |
| **120 Total Receivables, Net of Allowances for Doubtful Accounts** | 277,583 | - | - | - | - | 145,998 | - | - | 104,387 | 527,968 | - | 527,968 |
| | | | | | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | 157,667 | - | - | - | - | 8,401 | - | - | 19,374 | 185,442 | - | 185,442 |
| 143 Inventories | 140,802 | - | - | - | - | - | - | - | - | 140,802 | - | 140,802 |
| 143.1 Allowance for Obsolete Inventories | -15,300 | - | - | - | - | - | - | - | - | -15,300 | - | -15,300 |
| **150 Total Current Assets** | 6,696,639 | - | - | 209,602 | - | 627,566 | - | 129,000 | 3,696,574 | 11,359,381 | - | 11,359,381 |
| | | | | | | | | | | | | |
| 161 Land | 3,111,825 | - | - | - | - | - | - | - | 35,425 | 3,147,250 | - | 3,147,250 |
| 162 Buildings | 76,721,245 | - | - | - | - | - | - | - | 1,472,852 | 78,194,097 | - | 78,194,097 |
| 164 Furniture, Equipment & Machinery - Administration | 1,025,206 | - | - | - | - | 18,286 | - | - | 88,795 | 1,132,287 | - | 1,132,287 |
| 166 Accumulated Depreciation | -71,711,137 | - | - | - | - | -12,786 | - | - | -1,551,026 | -73,274,949 | - | -73,274,949 |
| **160 Total Capital Assets, Net of Accumulated Depreciation** | 9,147,139 | - | - | - | - | 5,500 | - | - | 46,046 | 9,198,685 | - | 9,198,685 |
| | | | | | | | | | | | | |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | 586,381 | - | - | - | - | - | - | - | - | 586,381 | - | 586,381 |
| 174 Other Assets | 151,076 | - | - | - | - | 89,289 | - | - | 75,368 | 315,733 | - | 315,733 |
| **180 Total Non-Current Assets** | 9,884,596 | - | - | - | - | 94,789 | - | - | 121,414 | 10,100,799 | - | 10,100,799 |
| | | | | | | | | | | | | |
| 200 Deferred Outflow of Resources | 168,087 | - | - | - | - | 99,343 | - | - | 83,855 | 351,285 | - | 351,285 |
| | | | | | | | | | | | | |
| **290 Total Assets and Deferred Outflow of Resources** | 16,749,322 | - | - | 209,602 | - | 821,698 | - | 129,000 | 3,901,843 | 21,811,465 | - | 21,811,465 |
| | | | | | | | | | | | | |
| 312 Accounts Payable <= 90 Days | 82,737 | - | - | - | - | 31,314 | - | - | 125,361 | 239,412 | - | 239,412 |
| 321 Accrued Wage/Payroll Taxes Payable | 52,453 | - | - | - | - | 31,217 | - | - | 23,714 | 107,384 | - | 107,384 |
| 331 Accounts Payable - HUD PHA Programs | - | - | - | - | - | 391 | - | - | - | 391 | - | 391 |
| 333 Accounts Payable - Other Government | 27,755 | - | - | - | - | - | - | - | - | 27,755 | - | 27,755 |
| 341 Tenant Security Deposits | 105,984 | - | - | - | - | - | - | - | - | 105,984 | - | 105,984 |
| 342 Unearned Revenue | - | - | - | - | - | - | - | 24,000 | 10 | 24,010 | - | 24,010 |
| 345 Other Current Liabilities | 2,490 | - | - | - | - | - | - | - | - | 2,490 | - | 2,490 |
| **310 Total Current Liabilities** | 271,419 | - | - | - | - | 62,922 | - | 24,000 | 149,085 | 507,426 | - | 507,426 |
| | | | | | | | | | | | | |
| 354 Accrued Compensated Absences - Non Current | 204,727 | - | - | - | - | 77,694 | - | - | 204,256 | 486,677 | - | 486,677 |
| 357 Accrued Pension and OPEB Liabilities | 1,063,024 | - | - | - | - | 628,274 | - | - | 530,320 | 2,221,618 | - | 2,221,618 |
| **350 Total Non-Current Liabilities** | 1,267,751 | - | - | - | - | 705,968 | - | - | 734,576 | 2,708,295 | - | 2,708,295 |
| | | | | | | | | | | | | |
| **300 Total Liabilities** | 1,539,170 | - | - | - | - | 768,890 | - | 24,000 | 883,661 | 3,215,721 | - | 3,215,721 |
| | | | | | | | | | | | | |
| 400 Deferred Inflow of Resources | 1,081,605 | - | - | - | - | 525,465 | - | - | 443,538 | 2,050,608 | - | 2,050,608 |
| | | | | | | | | | | | | |
| 508.4 Net Investment in Capital Assets | 9,147,139 | - | - | - | - | 5,500 | - | - | 46,046 | 9,198,685 | - | 9,198,685 |
| 511.4 Restricted Net Position | 499,854 | - | - | - | - | 289,710 | - | - | - | 789,564 | - | 789,564 |
| 512.4 Unrestricted Net Position | 4,481,554 | - | - | 209,602 | - | -767,867 | - | 105,000 | 2,528,598 | 6,556,887 | - | 6,556,887 |
| **513 Total Equity - Net Assets / Position** | 14,128,547 | - | - | 209,602 | - | -472,657 | - | 105,000 | 2,574,644 | 16,545,136 | - | 16,545,136 |
| | | | | | | | | | | | | |
| **600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net** | 16,749,322 | - | - | 209,602 | - | 821,698 | - | 129,000 | 3,901,843 | 21,811,465 | - | 21,811,465 |

# BUTLER METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL SCHEDULE
# ENTITY WIDE REVENUE AND EXPENSE SUMMARY
# FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| BUTLER METROPOLITAN HOUSING AUTHORITY (OH015) | Project Total | 14.PHC Public Housing CARES Act Funding | 14.CCC Central Office Cost Center CARES Act Funding | 1 Business Activities | 8 Other Federal Program 1 | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.EHV Emergency Housing Voucher | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 70300 Net Tenant Rental Revenue | 2,422,207 | - | - | - | - | - | - | - | - | 2,422,207 | - | 2,422,207 |
| 70400 Tenant Revenue - Other | 28,858 | - | - | - | - | - | - | - | - | 28,858 | - | 28,858 |
| **70500 Total Tenant Revenue** | 2,451,065 | - | - | - | - | - | - | - | - | 2,451,065 | - | 2,451,065 |
| | | | | | | | | | | | | |
| 70600 HUD PHA Operating Grants | 4,714,704 | - | - | - | - | 14,337,124 | 445,166 | 105,000 | - | 19,601,994 | - | 19,601,994 |
| 70610 Capital Grants | 919,592 | - | - | - | - | - | - | - | - | 919,592 | - | 919,592 |
| 70710 Management Fee | - | - | - | - | - | - | - | - | 1,089,911 | 1,089,911 | -1,089,911 | - |
| 70720 Asset Management Fee | - | - | - | - | - | - | - | - | 136,080 | 136,080 | -136,080 | - |
| 70730 Book Keeping Fee | - | - | - | - | - | - | - | - | 268,117 | 268,117 | -268,117 | - |
| **70700 Total Fee Revenue** | - | - | - | - | - | - | - | - | 1,494,108 | 1,494,108 | -1,494,108 | - |
| | | | | | | | | | | | | |
| 71100 Investment Income - Unrestricted | 2,863 | - | - | 211 | - | 1,674 | - | - | - | 4,748 | - | 4,748 |
| 71400 Fraud Recovery | - | - | - | - | - | 32,276 | - | - | - | 32,276 | - | 32,276 |
| 71500 Other Revenue | 76,715 | - | - | - | - | 105,067 | - | - | 13,621 | 195,403 | - | 195,403 |
| 71600 Gain or Loss on Sale of Capital Assets | 40,243 | - | - | - | - | - | - | - | - | 40,243 | - | 40,243 |
| 72000 Investment Income - Restricted | 305 | - | - | - | - | - | - | - | - | 305 | - | 305 |
| **70000 Total Revenue** | 8,205,487 | - | - | 211 | - | 14,476,141 | 445,166 | 105,000 | 1,507,729 | 24,739,734 | -1,494,108 | 23,245,626 |
| | | | | | | | | | | | | |
| 91100 Administrative Salaries | 214,411 | - | - | - | - | 428,287 | 231,755 | - | 389,391 | 1,263,844 | - | 1,263,844 |
| 91200 Auditing Fees | 10,588 | - | - | - | - | 5,004 | - | - | 1,176 | 16,768 | - | 16,768 |
| 91300 Management Fee | 811,163 | - | - | - | - | 278,748 | - | - | - | 1,089,911 | -1,089,911 | - |
| 91310 Book-keeping Fee | 93,900 | - | - | - | - | 174,217 | - | - | - | 268,117 | -268,117 | - |
| 91500 Employee Benefit contributions - Administrative | -234,324 | - | - | - | - | -129,197 | 47,150 | - | -535,162 | -851,533 | - | -851,533 |
| 91600 Office Expenses | 233,306 | - | - | - | - | 51,712 | 36,026 | - | 158,369 | 479,413 | - | 479,413 |
| 91700 Legal Expense | 63,520 | - | - | - | - | 15,348 | - | - | 11,638 | 90,506 | - | 90,506 |
| 91800 Travel | 5,913 | - | - | - | - | 4,559 | - | - | 2,834 | 13,306 | - | 13,306 |
| 91900 Other | 183,476 | - | - | 6,159 | - | 341 | - | - | 6,510 | 196,486 | - | 196,486 |
| **91000 Total Operating - Administrative** | 1,381,953 | - | - | 6,159 | - | 829,019 | 314,931 | - | 34,756 | 2,566,818 | -1,358,028 | 1,208,790 |
| | | | | | | | | | | | | |
| 92000 Asset Management Fee | 136,080 | - | - | - | - | - | - | - | - | 136,080 | -136,080 | - |
| 92100 Tenant Services - Salaries | - | 369,128 | 147,855 | - | - | - | - | - | - | 516,983 | - | 516,983 |
| 92300 Employee Benefit Contributions - Tenant Services | - | - | 33,915 | - | - | - | - | - | - | 33,915 | - | 33,915 |
| 92400 Tenant Services - Other | 10,123 | 219,895 | 19,509 | - | - | - | 24,240 | - | - | 273,767 | - | 273,767 |
| **92500 Total Tenant Services** | 10,123 | 589,023 | 201,279 | - | - | - | 24,240 | - | - | 824,665 | - | 824,665 |
| | | | | | | | | | | | | |
| 93100 Water | 169,188 | - | - | - | - | - | - | - | 207 | 169,395 | - | 169,395 |
| 93200 Electricity | 448,783 | - | - | - | - | - | - | - | 19,669 | 468,452 | - | 468,452 |
| 93300 Gas | 221,822 | - | - | - | - | - | - | - | - | 221,822 | - | 221,822 |
| 93800 Other Utilities Expense | 357,311 | - | - | - | - | - | - | - | 140 | 357,451 | - | 357,451 |
| **93000 Total Utilities** | 1,197,104 | - | - | - | - | - | - | - | 20,016 | 1,217,120 | - | 1,217,120 |
| | | | | | | | | | | | | |
| 94100 Ordinary Maintenance and Operations - Labor | 523,824 | - | - | - | - | - | - | - | - | 523,824 | - | 523,824 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 224,094 | - | - | - | - | - | - | - | - | 224,094 | - | 224,094 |
| 94300 Ordinary Maintenance and Operations Contracts | 1,390,317 | - | - | - | - | - | 105,995 | - | 215,611 | 1,711,923 | - | 1,711,923 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | -548,235 | - | - | - | - | - | - | - | - | -548,235 | - | -548,235 |
| **94000 Total Maintenance** | 1,590,000 | - | - | - | - | - | 105,995 | - | 215,611 | 1,911,606 | - | 1,911,606 |
| | | | | | | | | | | | | |
| 95200 Protective Services - Other Contract Costs | 80,022 | - | - | - | - | - | - | - | 948 | 80,970 | - | 80,970 |
| **95000 Total Protective Services** | 80,022 | - | - | - | - | - | - | - | 948 | 80,970 | - | 80,970 |
| | | | | | | | | | | | | |
| 96110 Property Insurance | 265,546 | - | - | - | - | - | - | - | 31,241 | 296,787 | - | 296,787 |
| 96120 Liability Insurance | - | - | - | - | - | 15,620 | - | - | - | 15,620 | - | 15,620 |
| **96100 Total insurance Premiums** | 265,546 | - | - | - | - | 15,620 | - | - | 31,241 | 312,407 | - | 312,407 |

# BUTLER METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL SCHEDULE
# ENTITY WIDE REVENUE AND EXPENSE SUMMARY
# FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| BUTLER METROPOLITAN HOUSING AUTHORITY (OH015) | Project Total | 14.PHC Public Housing CARES Act Funding | 14.CCC Central Office Cost Center CARES Act Funding | 1 Business Activities | 8 Other Federal Program 1 | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | 14.EHV Emergency Housing Voucher | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | |
| 96200 Other General Expenses | 20,894 | - | - | - | - | - | - | - | - | 20,894 | - | 20,894 |
| 96210 Compensated Absences | - | - | - | - | - | 5,827 | - | - | 4,107 | 9,934 | - | 9,934 |
| 96300 Payments in Lieu of Taxes | 27,755 | - | - | - | - | - | - | - | - | 27,755 | - | 27,755 |
| 96400 Bad debt - Tenant Rents | 138,972 | - | - | - | - | - | - | - | - | 138,972 | - | 138,972 |
| **96000 Total Other General Expenses** | 187,621 | - | - | - | - | 5,827 | - | - | 4,107 | 197,555 | - | 197,555 |
| | | | | | | | | | | | | |
| **96900 Total Operating Expenses** | 4,848,449 | 589,023 | 201,279 | 6,159 | - | 850,466 | 445,166 | - | 306,679 | 7,247,221 | -1,494,108 | 5,753,113 |
| | | | | | | | | | | | | |
| **97000 Excess of Operating Revenue over Operating Expenses** | 3,357,038 | -589,023 | -201,279 | -5,948 | - | 13,625,675 | - | 105,000 | 1,201,050 | 17,492,513 | - | 17,492,513 |
| | | | | | | | | | | | | |
| 97100 Extraordinary Maintenance | 31,559 | - | - | - | - | - | - | - | - | 31,559 | - | 31,559 |
| 97200 Casualty Losses - Non-capitalized | 3,000 | - | - | - | - | - | - | - | - | 3,000 | - | 3,000 |
| 97300 Housing Assistance Payments | - | - | - | - | - | 13,402,764 | - | - | - | 13,402,764 | - | 13,402,764 |
| 97350 HAP Portability-In | - | - | - | - | - | 93,559 | - | - | - | 93,559 | - | 93,559 |
| 97400 Depreciation Expense | 1,235,744 | - | - | - | - | 3,657 | - | - | 8,782 | 1,248,183 | - | 1,248,183 |
| **90000 Total Expenses** | 6,118,752 | 589,023 | 201,279 | 6,159 | - | 14,350,446 | 445,166 | - | 315,461 | 22,026,286 | -1,494,108 | 20,532,178 |
| | | | | | | | | | | | | |
| 10010 Operating Transfer In | - | 589,023 | 201,279 | - | - | - | - | - | - | 790,302 | -790,302 | - |
| 10020 Operating transfer Out | -589,023 | - | - | - | - | - | - | - | -201,279 | -790,302 | 790,302 | - |
| **10100 Total Other financing Sources (Uses)** | -589,023 | 589,023 | 201,279 | - | - | - | - | - | -201,279 | - | - | - |
| | | | | | | | | | | | | |
| **10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses** | 1,497,712 | - | - | -5,948 | - | 125,695 | - | 105,000 | 990,989 | 2,713,448 | - | 2,713,448 |
| | | | | | | | | | | | | |
| 11020 Required Annual Debt Principal Payments | - | - | - | - | - | - | - | - | - | - | - | - |
| 11030 Beginning Equity | 12,630,835 | - | - | 215,550 | - | -598,352 | - | - | 1,583,655 | 13,831,688 | - | 13,831,688 |
| 11170 Administrative Fee Equity | - | - | - | - | - | -762,367 | - | - | - | -762,367 | - | -762,367 |
| 11180 Housing Assistance Payments Equity | - | - | - | - | - | 289,710 | - | - | - | 289,710 | - | 289,710 |
| 11190 Unit Months Available | 12,922 | - | - | - | - | 29,076 | - | - | - | 41,998 | - | 41,998 |
| 11210 Number of Unit Months Leased | 12,476 | - | - | - | - | 23,229 | - | - | - | 35,705 | - | 35,705 |

# BUTLER METROPOLITAN HOUSING AUTHORITY
# BUTLER COUNTY, OHIO
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| **FEDERAL GRANTOR/**<br>*Pass-Through Grantor/*<br>Program or Cluster Title | **Assistance Listing Number** | **Federal Expenditures** |
|---|---|---|
| **U.S. Department of Housing and Urban Development** | | |
| *Direct Programs:* | | |
| Public and Indian Housing | 14.850 | $ 4,382,941 |
| Public Housing Capital Fund | 14.872 | 1,251,355 |
| Housing Voucher Cluster: | | |
| Section 8 Housing Choice Vouchers | 14.871 | 14,337,124 |
| Section 8 Housing Choice Vouchers - COVID-19 | 14.871 | 445,166 |
| Section 8 Housing Choice Vouchers - Emergency Housing Vouchers | 14.871 | 105,000 |
| Total Housing Voucher Cluster | | 14,887,290 |
| **Total U.S. Department of Housing and Urban Development** | | 20,521,586 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | $ 20,521,586 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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, 2021. 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 position, or cash flows of Butler Metropolitan Housing Authority.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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 REQUIRED BY 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, 2021, 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 8, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority.

### *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.

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

December 8, 2021

**JAMES G. ZUPKA, C.P.A., INC.**
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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 the Authority's major federal program for the year ended June 30, 2021. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

## *Management's Responsibility*

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the 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 its major federal program for the year ended June 30, 2021.

***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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

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

December 8, 2021

**BUTLER METROPOLITAN HOUSING AUTHORITY**
**BUTLER COUNTY, OHIO**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**JUNE 30, 2021**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| 2020(i) | Type of Financial Statement Opinion | Unmodified |
| 2020(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| 2020(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| 2020(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2020(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| 2020(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| 2020(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| 2020(vi) | Are there any reportable findings under 2 CFR 200.516(a)? | No |
| 2020(vii) | Major Programs (list):<br>Housing Voucher Cluster:<br>Section 8 Housing Choice Vouchers - ALN #14.871<br>Section 8 Housing Choice Vouchers - COVID-19 - ALN #14.871<br>Section 8 Housing Choice Vouchers - Emergency Housing Vouchers - ALN #14.871 | |
| 2020(viii) | Dollar Threshold: Type A\B Programs | Type A: $750,000<br>Type B: All Others |
| 2020(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, 2021**

The audit report for the fiscal year ending June 30, 2020 contained no audit findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE
**KEITH FABER**

**BUTLER COUNTY METROPOLITAN HOUSING AUTHORITY**

**BUTLER COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 1/6/2022**

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