

**BROWN METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

March 31, 2016

Together with Auditors' Report





# Dave Yost • Auditor of State

Board of Trustees  
Brown Metropolitan Housing Authority  
406 West Plum Street  
Georgetown, Ohio 45121

We have reviewed the *Independent Auditors' Report* of the Brown Metropolitan Housing Authority, Brown County, prepared by Kevin L. Penn, Inc., for the audit period April 1, 2015 through March 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 5, 2016

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**BROWN METROPOLITAN HOUSING AUTHORITY  
BROWN, OHIO**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Brown Metropolitan Housing Authority  
Georgetown, Ohio

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of the business-type activities of Brown Metropolitan Housing Authority, Brown County as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Brown Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to opine on these financial statements based on my audit. I audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require me to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Brown Metropolitan Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Brown Metropolitan Housing Authority's internal control. Accordingly, I express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Brown Metropolitan Housing Authority, Brown County, Ohio as of March 31, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

#### ***Supplementary***

My audit was conducted to opine on the Brown Metropolitan Housing Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

The Supplemental Financial Data Schedules is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated September 2, 2016 on my consideration of the Brown Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Brown Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

September 2, 2016

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016  
(Unaudited)**

It is a privilege to present for you the financial picture of Brown Metropolitan Housing Authority. The Brown Metropolitan Housing Authority's (the "Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

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

**FINANCIAL  
HIGHLIGHTS**

- The revenues increased by \$108,420 (41%) during 2016, and were \$372,645 and \$264,225 for 2016 and 2015, respectively.
- The total expenses increased by \$14,953 (4%). Total expenses were \$374,545 and \$359,592 for 2016 and 2015, respectively.

**USING THIS ANNUAL REPORT**

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

**MD&A**

~ Management's Discussion and Analysis ~

**Basic Financial Statements**

~ Statement of Net Position ~

~ Statement of Revenues, Expenses and Change in Net Position ~

~ Statement of Cash Flows ~

~ Notes to the Basic Financial Statements ~

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016  
(Unaudited)**

## BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business-type programs are consolidated into one single enterprise fund for the Authority.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

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

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

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

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

The focus of the Statement of Revenues, Expenses and 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.

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016  
(Unaudited)**

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

**Condensed Financial Statements**

The following represents a condensed Statement of Net Position compared to prior year. The Authority is engaged only in business type activities.

**Table 1 - Condensed Statement of Net Position Compared to Prior Year**

	2016	2015
<b>Assets</b>		
Current and Other Assets	\$ 35,860	\$ 32,911
Capital Assets	<u>1,041,166</u>	<u>1,045,863</u>
<b>Total Assets</b>	<u>\$ 1,077,026</u>	<u>\$ 1,078,774</u>
<b>Liabilities</b>		
Current Liabilities	<u>\$ 10,212</u>	<u>\$ 10,940</u>
<b>Total Liabilities</b>	<u>\$ 10,212</u>	<u>\$ 10,940</u>
<b>Net Position</b>		
Investment in Capital Assets, Net of Related Debt	\$ 1,041,166	\$ 1,045,863
Restricted Net Position	4,154	0
Unrestricted Net Position	<u>21,494</u>	<u>21,971</u>
<b>Total Net Position</b>	<u>1,066,814</u>	<u>1,067,834</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,077,026</u>	<u>\$ 1,078,774</u>

**MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION:**

Current assets increased due to more cash on hand. The Authority is trying to cut costs and have at least two months of cash in the bank at the end of the year, but is also struggling with the cuts from HUD.

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

Net Position increased due to the change in investment in Capital Assets, Net of Related Debt because of the accumulated depreciation.

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016  
(Unaudited)**

The following is a condensed Statement of Revenues, Expenses, and Changes in Fund Net Position. The Authority is engaged only in business type activities.

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

	<u>2016</u>	<u>2015</u>
<b><u>Revenues</u></b>		
Tenant Revenues - Rents and Other	\$ 33,981	\$ 28,218
Operating Subsidies and Grants	253,754	213,955
Capital Grants	51,514	930
Interest Income/Other Revenues	<u>33,396</u>	<u>21,122</u>
<b>Total Revenues</b>	<b>\$ 372,645</b>	<b>\$ 264,225</b>
<b><u>Expenses</u></b>		
Administrative	\$ 66,303	\$ 66,796
Insurance	4,982	4,484
Utilities	27,898	25,269
Maintenance	47,230	44,236
Other Expenses	60	0
Housing Assistance Payments	169,027	159,722
Bad Debt	0	3,758
Depreciation	<u>59,045</u>	<u>55,327</u>
<b>Total Expenses</b>	<b><u>374,545</u></b>	<b><u>\$ 359,592</u></b>
Net Increases (Decreases) in Net Position	<b><u><u>\$ (1,900)</u></u></b>	<b><u><u>\$ (95,367)</u></u></b>

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

Tenant revenue increased due to new tenants paying higher income based rent due to employment. Current tenants are holding jobs longer due to new policy allowing them to work for a year before using their income to adjust their rent. Subsidies are increasing due to the increase at the federal level. The Authority was also able to recoup funding earned in prior year.

The Authority is still reviewing expenses and cutting cost where possible.

**Table 3 – Change in Unrealized Net Position**

Unrestricted Net Position 3/31/2015	\$ 21,971
Results from Operation	( 5,174)
Adjustments:	
Depreciation (1)	59,045
Adjusted Results from Operations	53,871
Capital Expenditures	<u>( 54,348)</u>
Unrestricted Net Position 3/31/2016	<u>\$ 21,494</u>

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

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2016  
(Unaudited)**

As of year-end, the Authority had \$1,1041,166 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$4,697 from the end of last fiscal year.

**Table 4 - Condensed Statement of Changes in Capital Assets**

	<u>2016</u>	<u>2015</u>
Land and Land Rights	\$ 1,049	\$ 1,049
Building	1,976,228	1,921,851
Equipment	25,303	25,303
Accumulated Depreciation	<u>( 961,414)</u>	<u>( 902,340)</u>
<b>Total</b>	<b><u>\$ 1,041,166</u></b>	<b><u>\$ 1,045,863</u></b>

The following reconciliation summarizes the change in Capital Assets.

**Table 5 - Changes in Capital Assets**

Beginning Balance	\$ 1,045,863
Capital Asset additions – CF	54,348
Capital Asset additions – Project	0
Depreciation	<u>(59,045)</u>
Ending Balance	<b><u>\$ 1,041,166</u></b>

**Debt**

As of March 31, 2016, the Authority had no debt.

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

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

**FINANCIAL CONTACT**

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

Respectfully submitted,

Shelly Spiller Executive Director

BROWN METROPOLITAN HOUSING AUTHORITY  
 STATEMENT OF NET POSITION  
 MARCH 31, 2016

ASSETS

**Current Assets**

Cash and Cash Equivalents - Unrestricted (Note 3)	\$ 25,839
Accounts Receivable - Tenant	1,296
Accounts Receivable - Other	<u>4,571</u>
Total Current Assets	31,706

**Non-Current Assets**

Cash and Cash Equivalents - Restricted (Note 3)	4,154
Land	1,049
Depreciation Capital Assets - (Note 5)	<u>1,040,117</u>
Total Non-Current Assets	<u>1,045,320</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,077,026</u></u>

LIABILITIES AND Net Positions

**Current Liabilities**

Accounts Payable	\$ 2,401
Security Deposit	<u>7,811</u>
Total Current Liabilities	10,212

Total Liabilities	<u><u>\$ 10,212</u></u>
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**Net Positions**

Investment in Capital Assets, Net of Related Debt	\$ 1,041,166
Restricted	4,154
Unrestricted	<u>21,494</u>
Total Net Positions	<u><u>\$ 1,066,814</u></u>

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

BROWN METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONS  
FOR THE YEAR ENDED MARCH 31, 2016

**Operating Revenue:**

HUD Operating Subsidies and Grants	\$ 253,754
Tenant Revenue	33,981
Other Revenue	<u>33,364</u>
Total Operating Revenue	321,099

**Operating Expenses:**

Housing Assistance Payments	169,027
Administrative Expense	66,303
Maintenance	47,230
Utilities	27,898
Insurance	4,982
Depreciation Expense	59,045
Other Expenses	<u>60</u>
Total Operating Expenses	<u>374,545</u>
Operating Income (Loss)	(53,446)

Non-Operating Revenues (Expenses)

Investment Income - Unrestricted	32
Capital Grant - HUD	<u>51,514</u>
Total Non-Operating Revenues (Expenses)	51,546

Change in Net Positions	(1,900)
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Net Positions - Beginning of Year (as previously stated)	1,067,834
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Prior Period Adjustment - (Note 10)	<u>880</u>
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Net Positions - Beginning of Year (as restated)	<u>1,068,714</u>
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Net Positions - End of Year	<u><u>\$ 1,066,814</u></u>
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The accompanying notes are an integral part of the financial statements.



BROWN METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2016

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$ (141,283)
Cash payments for housing assistance payments	(169,027)
Cash received from HUD	249,360
Cash received from tenants	33,981
Cash received from other receipts	33,364
Cash payments for other operating expenses	<u>(4,982)</u>
Net Cash Provided (Used) by Operating Activities	1,413
Cash Flows From Capital Activities:	
Fixed Assets Addition	(54,349)
Capital Grant received for Capital Assets	<u>51,514</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,835)
Cash Flows From Investing Activities:	
Investment Income	<u>32</u>
Net Cash Provided (Used) by Investing Activities	32
Increase (Decrease) in Cash and Cash Equivalents	(1,390)
Cash and Cash Equivalents - Beginning of Year	<u>31,383</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 29,993</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (53,446)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	59,045
(Increase) decrease in:	
Accounts Receivable	(3,458)
Increase (decrease) in:	
Accounts Payable	(721)
Security Deposits	<u>(7)</u>
Net cash used in operating activities	<u><u>\$ 1,413</u></u>

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

**BROWN METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27 for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

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

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

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

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

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

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

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**  
**(CONTINUED)**

1. DESCRIPTION OF THE REPORTING ENTITY – CONTINUED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Authority's basic financial statements consist of a statement of Net Position, a statement of revenue, expenses and changes in Net Position, and a statement of cash flows.

Fund Accounting

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

Proprietary Fund Types

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

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

Accounting and Reporting for Nonexchange Transactions

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

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

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**  
**(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

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

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

Measurement Focus/Basis of Accounting

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

Basic Financial Statements:

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**  
**(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Investments

The provisions of the HUD Regulations restrict investments. Interest income earned in fiscal year ended March 31, 2016 for both programs totaled \$0.

Receivables — Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year. Management believes all receivables to be collectible, therefore the allowance for doubtful accounts was \$0 at March 31, 2016.

Capital Assets

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

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

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

Due From/To Other Programs

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Net Position restricted by HUD was \$4,154.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary fund. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue. Operating expenses are those expenses that are expended directly for the primary activities of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, depreciation, bad debt and housing assistance payments.

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**  
**(CONTINUED)**

Capital Grant

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

Budgetary Accounting

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

Prepaid Expenses

This represents the amounts paid for the Administration of the Voucher Program prepaid for the fiscal year 2016.

3. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

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

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

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2016, the Authority was not exposed to custodial risk because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At fiscal year end March 31, 2016, the carrying amount of the Authority's deposits totaled \$29,993 and its bank balance was \$33,028.

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**  
**(CONTINUED)**

3. DEPOSITS AND INVESTMENTS - CONTINUED

Investments

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

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

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

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

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

At March 31, 2016, the Authority did not have any investments.

4. INSURANCE AND RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**  
**(CONTINUED)**

**5. CAPITAL ASSETS**

A summary of capital assets at March 31, 2016, by class is as follows:

	<u>3/31/2015</u>	Reclasses	<u>Additions</u>	<u>Disposals</u>	<u>3/31/2016</u>
Capital Assets Not Being Depreciated					
Land	\$ 1,049	0	0	0	\$ 1,049
Total Capital Assets Not Being Depreciated	<u>1,049</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,049</u>
Capital Assets Being Depreciated					
Buildings and Improvements	1,921,851	0	54,348	0	1,976,199
Furniture, Equipment, and Machinery- Administrative	<u>25,303</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,303</u>
Subtotal Capital Assets Being Depreciated	1,947,154	0	54,348	0	2,001,502
Accumulated Depreciation:					
Buildings and Improvements	( 877,037)	0	( 59,045)	0	( 936,082)
Furniture, Equipment and Machinery- Administrative	<u>( 25,303)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 25,303)</u>
Total Accumulated Depreciation	<u>( 902,340)</u>	<u>0</u>	<u>( 59,045)</u>	<u>0</u>	<u>( 961,385)</u>
Depreciable Assets, Net	<u>1,044,814</u>	<u>0</u>	<u>( 4,697)</u>	<u>0</u>	<u>1,040,117</u>
Total Capital Assets, Net	<u>\$ 1,045,863</u>	<u>\$ 0</u>	<u>\$ ( 4,697)</u>	<u>\$ 0</u>	<u>\$ 1,041,166</u>

Depreciation is calculated using the straight line method with lives varying between 3 and 40 years. The depreciation expense for the year ended March 31, 2016 was \$59,045.

**6. FDS SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended March 31, 2016, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in Net Position and other data to HUD as required on the GAAP basis. The FDS schedules follow the footnotes. The schedules are presented in the manner prescribed by the Department of Housing and Urban Development.

**7. CONTRACT SERVICES**

The authority contracts with:

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

**8. CONTINGENT LIABILITIES**

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



**BROWN METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016  
(CONTINUED)**

9. HAP AND ADMINISTRATIVE TRACKING ACCOUNTS

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

	<u>HAP</u>	<u>Administrative</u>	<u>Total</u>
Balance 3/31/15	\$ 0	\$ 8,295	\$ 8,295
HAP received	143,476		143,476
Administrative received		20,468	20,468
HAP Expenses	(139,322)	( 29,705)	(169,027)
Administrative expenses		( 18,250)	( 18,250)
Other Income		31,921	31,921
Interest income/other income		<u>15</u>	<u>15</u>
Balance 3/31/16	<u>\$ 4,154</u>	<u>\$ 12,744</u>	<u>\$ 16,898</u>

10. PRIOR PERIOD ADJUSTMENT

The Authority adjusted prior period Net Position as follows:

Net Position as of March 31, 2015	\$1,067,834
Adjustment:	
Understated of Receivables	<u>880</u>
Restated Net Position as of March 31, 2015	<u>\$1,068,714</u>

The adjustment to prior period Net Position was necessary to properly reflect the understatement of receivables.

11. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through September 2, 2016, the date on which the financial statements were available to be issued.

Brown Metropolitan Housing Authority  
Statement of Net Position  
March 31, 2016

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

Line item	Account Description	Project	Housing Choice Voucher	Total
111	Cash - Unrestricted	\$ 9,378	\$ 8,350	\$ 17,728
112	Cash - Restricted - Mod. & Dev.		4,154	4,154
114	Cash - Security Deposits	8,111		8,111
100	Total Cash	<u>17,489</u>	<u>12,504</u>	<u>29,993</u>
122	Acct Rec. - HUD Other Projects	177		177
125	Acct. Rec. - Misc.		4,394	4,394
126	Acct Rec. - Tenant	1,296		1,296
<b>150</b>	<b>Total Current Assets</b>	<u>18,962</u>	<u>16,898</u>	<u>35,860</u>
161	Land	1,049		1,049
162	Buildings	1,976,228		1,976,228
164	F/E/M Admin	25,303		25,303
166	Accumulated Depreciation	(961,414)		(961,414)
160	Net Fixed Assets	<u>1,041,166</u>	<u>-</u>	<u>1,041,166</u>
190	Total Assets	<u>\$ 1,060,128</u>	<u>\$ 16,898</u>	<u>\$1,077,026</u>
312	Accounts Payable	\$ 875	\$ 1,526	\$ 2,401
341	Tenant Security Deposit	7,811		7,811
310	Total Current Liabilities	<u>8,686</u>	<u>1,526</u>	<u>10,212</u>
	TOTAL Liabilities	8,686	1,526	10,212
508.1	Invested in Capital Assets Net	1,041,166		1,041,166
511.1	Restricted Net Position	-	4,154	4,154
512.1	Unrestricted Net Position	10,276	11,218	21,494
513	TOTAL Equity/Net Position	<u>1,051,442</u>	<u>15,372</u>	<u>1,066,814</u>
600	Total Liabilities and Equity	<u>\$ 1,060,128</u>	<u>\$ 16,898</u>	<u>\$1,077,026</u>

Brown Metropolitan Housing Authority  
Statement of Revenues and Expenses  
For the Year Ended March 31, 2016

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

<u>Line item</u>	<u>Account Description</u>	<u>Project</u>	<u>Housing Choice Voucher</u>	<u>Total</u>
703	Net Tenant Rental Revenue	\$ 33,217	\$ -	\$ 33,217
704	Tenant Revenue - Other	764		764
705	Total Tenant Revenue	<u>33,981</u>	<u>-</u>	<u>33,981</u>
706	HUD PHA Operating Grants	89,810	163,944	253,754
706.1	Capital Grants	51,514		51,514
711	Investment Income - Unrestricted	17	15	32
715	Other Revenue	1,443	31,921	33,364
700	TOTAL REVENUE	<u>176,765</u>	<u>195,880</u>	<u>372,645</u>
912	Audit	2,550	2,550	5,100
913	Management Fee	35,000	17,846	52,846
914	Advertising and Marketing	62		62
916	Office Expenses	7,597		7,597
918	Travel	98		98
919	Other	528	72	600
	Total Operating - Admin.	<u>45,835</u>	<u>20,468</u>	<u>66,303</u>
931	Water	7,782		7,782
932	Electricity	69		69
936	Sewer	11,747		11,747
938	Other Utilities Expense	8,300		8,300
939	Total Utilities	<u>27,898</u>	<u>-</u>	<u>27,898</u>
941	Ordinary Maint. & Operations – Labor	13,018		13,018
942	Ordinary Maint. & Operations – Materials	7,990		7,990
943	Ordinary Maint. & Operations – Contracts	26,222		26,222
		<u>47,230</u>	<u>-</u>	<u>47,230</u>

Brown Metropolitan Housing Authority  
Statement of Revenues and Expenses  
For the Year Ended March 31, 2016

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

<u>Line item</u>	<u>Account Description</u>	<u>Project</u>	<u>Housing Choice Voucher</u>	<u>Total</u>
961.1	Property Insurance	4,982		4,982
	Total Insurance	4,982	-	4,982
962	Other General Expenses	60		60
	TOTAL OPERATING EXPENSES	126,005	20,468	146,473
970	Excess Oper. Rev. over Exp.	50,760	175,412	226,172
973	HAP		139,322	139,322
973.5	HAP Portability-In		29,705	29,705
974	Depreciation Exp	59,045		59,045
900	TOTAL EXPENSES	185,050	189,495	374,545
10010	Operating Transfer In	8,100	-	8,100
10020	Operating Transfer Out	(8,100)	-	(8,100)
		-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$ (8,285)	\$ 6,385	\$ (1,900)

Brown Metropolitan Housing Authority  
 Additional Information Required by HUD  
 For the Year Ended March 31, 2016

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

<u>Line item</u>	<u>Account Description</u>	<u>Housing Choice Voucher</u>	<u>Project</u>
11170	Administrative Fee Equity	\$ 12,265	
11180	Housing Assistance Payment Equity	\$ 4,154	
11190	Unit Months Available	456	228
11210	Number of Unit Months Leased	456	228



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

Board of Trustees  
Brown Metropolitan Housing Authority  
Georgetown, Ohio

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Brown Metropolitan Housing Authority, Brown County, Ohio as of and for the year ended March 31, 2016, and the related notes to the financial statements, and have issued my report thereon dated September 2, 2016.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

I noted certain matters that I reported to management of Brown Metropolitan Housing Authority's in a separate letter dated September 2, 2016.

### ***Purpose of this Report***

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

Kevin L. Penn, Inc.

September 2, 2016

**Brown Metropolitan Housing Authority**  
Status of Prior Year Findings  
March 31, 2016

There were no audit findings, during the 2015 fiscal year.





# Dave Yost • Auditor of State

**BROWN METROPOLITAN HOUSING AUTHORITY**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 15, 2016**