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Certified Public Accountants, A.C.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY
Single Audit
For the Year Ended June 30, 2016**

www.perrycpas.com

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Butler Metropolitan Housing Authority, Butler County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2015 through June 30, 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 Butler Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 17, 2017

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**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
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INDEPENDENT AUDITOR'S REPORT

December 31, 2016

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Butler Metropolitan Housing Authority**, Butler County, Ohio (the Authority), as of and for the year ended June 30, 2016, 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 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

Our responsibility is to opine on these financial statements based on our audit. We 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 us 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 our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we 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 our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.



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Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Butler Metropolitan Housing Authority, Butler County as of June 30, 2016, and the respective changes in its financial position and its 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* and schedules of net pension liabilities and pension contributions 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. We 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 our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The supplemental financial data schedule presented on pages 34 through 40 is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2, *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The schedules are management's responsibility and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are 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*, we have also issued our report dated December 31, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

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

FINANCIAL HIGHLIGHTS

- The business-type activity revenue increased by \$.97 million (5%) from FY 2015. The primary reason for the increase in revenues is the continued growth of the Housing Choice Voucher Program due to new units acquired from the former program administered by the City of Middletown in 2015. Total revenue was \$21.99 million and \$21.02 million for FY 2016 and FY 2015, respectively.
- The total expenses of all Authority programs increased by \$2.19 million (11%). The primary reasons for the increase in expenses was the increased HAP expense, due to the acquisition of Middletown vouchers in 2015. Total expenses were \$22.34 million and \$20.15 million for FY 2016 and FY 2015, respectively.

Authority-Wide Financial Statements

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, 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:

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

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

Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt," or "Restricted Net Position."

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

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position," which is similar to Net Income or Loss.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

Traditional users of governmental financial statements will find the consolidated Financial Statements presentation familiar. The focus is on agency-wide balances rather than individual program balances. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The following is a condensed Statement of Net Position compared to prior year.

Table 1 - Condensed Statement of Net Position

	2016	2015	Change	% Change
<u>Assets</u>				
Current Assets	\$ 6,918,000	\$ 5,766,000	\$ 1,152,000	20%
Capital Assets	11,244,000	12,721,000	(1,477,000)	-37%
Other Non-current Assets	637,000	636,000	1,000	0%
Total Assets	18,799,000	19,123,000	(324,000)	2%
Deferred Outflows	1,031,000	192,000	839,000	437%
<u>Liabilities</u>				
Current Liabilities	440,000	594,000	(154,000)	-26%
Non-current Liabilities	3,041,000	2,040,000	1,001,000	49%
Total Liabilities	3,481,000	2,634,000	847,000	32%
Deferred Inflows	57,000	33,000	24,000	73%
<u>Net Position</u>				
Invested in Capital	11,244,000	12,716,000	(1,472,000)	-12%
Restricted	1,384,000	1,358,000	26,000	2%
Unrestricted	3,664,000	2,574,000	1,090,000	42%
Total Net Position	\$ 16,292,000	\$ 16,648,000	\$ (356,000)	-2%

Major Factors Affecting the Statement of Net Position

Current assets increased by about \$1,152,000 (20%). The biggest change from last year in current assets is in cash due to a favorable gain from operations in the period in the public housing program. Capital assets decreased about \$1,477,000 (37%). Current year capital additions were minimal and easily outpaced by the increase in accumulated depreciation.

Current liabilities decreased by \$154,000 (26%). This change was primarily to wages payable due to timing issues related to when pay periods end and when invoices for payroll liabilities were paid.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (UNAUDITED)**

Large increases were realized in Deferred Outflows (about \$839,000 or 437%) and Non-Current Liabilities (about \$1,001,000 or 49% - primarily to the Net Pension Liability). The increases in these balances reported pursuant to GASB 68, which was implemented in 2015, truly do not reflect an issue related to the operations of the agency, but rather reflect changes in the Ohio Public Employees Retirement System (OPERS) unfunded pension liability. GASB 68 requires that public employers like Butler MHA to report what is calculated to be their share of the unfunded pension liability of the pension system. Employees of Butler MHA are required by state law to be members of OPERS and Butler MHA is required to make retirement contributions to the retirement system on behalf of their employees. The Net Pension Liability is not like other liabilities reported by Butler MHA in that if the agency ceased operations there is no invoice to be paid in that amount.

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

	2016	2015	Change	% Change
Revenues				
Tenant Revenues	\$ 1,751,000	\$ 1,723,000	\$ 28,000	2%
Subsidies	18,919,000	16,831,000	2,088,000	12%
Capital Grants	229,000	1,430,000	(1,201,000)	-84%
Interest Income	1,000	3,000	(2,000)	-67%
Other Income	1,087,000	1,034,000	53,000	5%
Total Revenues	21,987,000	21,021,000	966,000	5%
Expenses				
Administrative	2,809,000	2,578,000	231,000	9%
Tenant Services	13,000	0	13,000	100%
Utilities	1,021,000	1,003,000	18,000	2%
Maintenance and Operation	2,598,000	2,732,000	(134,000)	-5%
General and Interest	454,000	363,000	91,000	25%
HAP	13,619,000	11,680,000	1,939,000	17%
Depreciation	1,829,000	1,798,000	31,000	2%
Total Expenses	22,343,000	20,154,000	2,189,000	11%
Change in Net Position	(356,000)	867,000		

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

Revenues increased by about \$966,000 (5%) from the prior year. That reflects an increase in subsidies of about \$2.1 million and a reduction in capital grants of \$1.2 million. The increase in subsidies is continuing the trend from 2015 related to the acquisition of vouchers in the Section 8 Housing Choice program from the former program administered by the City of Middletown. The drop in capital grants is only a reflection of less activity in the Capital Fund Program and not truly a drop in the program's size.

Expenses increased by about \$2,189,000 (11%). The largest increase was in HAP expense in the Housing Choice Voucher program again because of the growth of the program from the absorption of vouchers from the Middletown program in 2015. As would be expected, there was also a noted increase administrative expenses. The agency added staff to administer the additional vouchers brought in from the Middletown program.

As of year-end, the Authority had \$11.24 million invested in a variety of Capital Assets as reflected in the following schedule. The balance of Capital Assets represents a net decrease (addition, deductions and depreciation) of \$1,477,000 (12%) from the previous fiscal year. Additions to Capital Assets in the period were minimal and easily outpaced by depreciation on Capital Assets in the period.

The following summarizes the change in Capital Assets.

Table 3 - Condensed Changes in Capital Assets

<u>Capital Assets</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 3,089,000	\$ 3,089,000	\$ 0	0%
Buildings and Improvements	72,445,000	72,166,000	279,000	0%
Equipment	1,863,000	1,739,000	124,000	7%
Construction-in-Progress	0	51,000	(51,000)	-100%
Accumulated Depreciation	(66,153,000)	(64,324,000)	(1,829,000)	3%
Total Capital Assets	<u>\$ 11,244,000</u>	<u>\$ 12,721,000</u>	<u>\$ (1,477,000)</u>	-12%

Debt

The following is a summary of changes in debt of the agency in this period, all the result of normal repayments of debt obligations.

Notes Payable at June 30, 2015	\$ 5,013
Retirements	(5,013)
Notes Payable at June 30, 2016	<u>\$ -</u>

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

ECONOMIC FACTORS

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

FINANCIAL CONTACT

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have any questions regarding these financial statements or supplemental information, you may contact Phyllis Hitte, Executive Director, at (513) 896-4411 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, 2016**

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 5,474,985
Cash and Cash Equivalents - Restricted	886,404
Accounts Receivable, Net	263,322
Prepaid Expenses	176,697
Inventories	116,296
Total Current Assets	6,917,704

Noncurrent Assets

Capital Assets:

Land	3,088,987
Buildings and Improvements	72,445,329
Furniture and Equipment	1,862,573
	77,396,889
Less: Accumulated Depreciation	(66,152,725)
Total Capital Assets, Net	11,244,164
Notes Receivable	636,555
Other Assets	505
Total Noncurrent Assets	11,881,224
Deferred Outflows of Resources	1,030,949

TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES **\$ 19,829,877**

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 128,267
Accrued Liabilities	150,710
Accrued Compensated Absences - Current Portion	39,971
Tenant Security Deposits	120,965
Total Current Liabilities	439,913

Noncurrent Liabilities

Accrued Compensated Absences	344,100
Trust Deposit Liabilities	36,377
Net Pension Liability	2,660,825
Total Noncurrent Liabilities	3,041,302
TOTAL LIABILITIES	3,481,215

Deferred Inflows of Resources 57,276

NET POSITION

Net Investment in Capital Assets	11,244,164
Restricted Net Position	1,383,455
Unrestricted Net Position	3,663,767
TOTAL NET POSITION	16,291,386

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION **\$ 19,829,877**

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 YEAR ENDED JUNE 30, 2016**

<u>Operating Revenue</u>	
Tenant Revenue	\$ 1,750,563
Governmental Grants and Subsidy	18,918,795
Other Income	1,087,189
Total Operating Revenue	<u>21,756,547</u>
 <u>Operating Expenses</u>	
Administration	2,809,359
Tenant Services	13,281
Utilities	1,021,174
Maintenance and Operation	2,598,228
Protective Services	38,029
General Expense	415,473
Housing Assistance Payments	13,618,953
Depreciation	1,828,527
Total Operating Expenses	<u>22,343,024</u>
Net Operating Income (Loss)	<u>(586,477)</u>
 <u>Nonoperating Revenues/(Expenses)</u>	
Investment Income	1,070
Net Nonoperating Revenues/(Expenses)	1,070
Net Income/(Loss) before Capital Grants	<u>(585,407)</u>
 Capital Grants	 228,773
Increase (Decrease) in Net Position	<u>(356,634)</u>
Total Net Position - Beginning	16,648,020
Total Net Position - Ending	<u>\$ 16,291,386</u>

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016**

Cash flows from Operating Activities

Receipts from Customers and Users	\$ 2,087,863
Governmental Grants and Subsidy - Operations	19,740,070
Payments for Operations	(4,048,294)
Payments for Housing Assistance	(13,620,642)
Payments for Administration	(2,809,359)
Net Cash Provided from Operating Activities	<u>1,349,638</u>

Cash Flows from Investing Activities

Interest Received	1,070
Net Cash Provided from Investing Activities	<u>1,070</u>

Cash Flows from Capital and Related Financing Activities

Grant Revenue - Capital Grants	228,773
Acquisition of Capital Assets - Capital Grants	(351,934)
Payment on Mortgage Notes Payable	(5,013)
Net Cash Used by Capital and Related Financing Activities	<u>(128,174)</u>
Net Increase (Decrease) in Cash	1,222,534

Cash at Beginning of Period	5,138,855
Cash at End of Period	<u>\$ 6,361,389</u>

Cash Flows from Operating Activities

Net Income (Loss) from Operations	\$ (586,477)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,828,527
Decrease (Increase) in Accounts Receivable	78,364
Decrease (Increase) in Prepaid Expenses	(4,057)
Decrease (Increase) in Inventories	(3,592)
Increase (Decrease) in Accounts Payable	(219,940)
Increase (Decrease) in Accrued Liabilities	218,455
Increase (Decrease) in Compensated Absences	41,726
Increase (Decrease) in Security Deposits/Escrow Deposits	(3,368)
Net Cash Provided from Operating Activities	<u>\$ 1,349,638</u>

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

1. Introduction

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

2. Organization

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

3. Reporting Entity

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

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

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

3. Reporting Entity (Continued)

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

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

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

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

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

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

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

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

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

1. Net investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use by external groups including HUD, creditors, grantors, contributors, or laws and regulations of other governments.
3. Unrestricted Net Position – All other net assets that do not meet the definition of "restricted" or "invested" in capital assets, net of related debt.

5. Accounting and Reporting for Non-exchange Transactions

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

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

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

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e. income taxes, sales taxes, and other assessments on earnings or consumption)
- Imposed non-exchange revenues: result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (i.e., property taxes and fines).
- Government-mandated non-exchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- Voluntary non-exchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary non-exchange transactions.

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

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of non-exchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used, (i.e., capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a non-exchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

6. Revenues and Expenses

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

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

7. Encumbrances

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

8. Budgets

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

9. Inventories

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

10. Capital Assets and Depreciation

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

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

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

11. Collection Losses

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

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

12. Insurance

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

13. Cash and Investments

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

14. Compensated Absences

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

15. Operating Revenue

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

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

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

16. Deferred Outflows/Inflows of Resources

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

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

17. Pensions

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

NOTE B: CASH AND CASH EQUIVALENTS

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

At June 30, 2016, the Authority's deposits had a carrying amount of \$6,361,389 (including \$1,200 of petty cash) and a bank balance of \$6,504,142. Of the bank balances \$250,000 was covered by Federal Depository Insurance and the remainder was covered by collateral held under the dedicated method.

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.

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NOTE B: CASH AND CASH EQUIVALENTS (Continued)

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, 2016, consisted of the following:

Cash and Cash Equivalents

Checking - Unrestricted	\$ 5,473,785
Cash - Restricted	886,404
Petty Cash	1,200
	\$ 6,361,389

Restricted Cash and Cash Investments

Tenant Security Deposits	\$ 120,965
FSS Escrow	36,377
HCV HAP Equity/Net Restricted Assets	516,392
Restricted for Development	212,670
	\$ 886,404

NOTE C: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consisted of the following:

Tenants (Net of Allowance of \$55,505)	\$ 84,601
Other Government	178,721
	\$ 263,322

The above receivable balance excludes \$14,204 of interfund balances that have been eliminated from the consolidated financial statements at June 30, 2016.

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NOTE D: CAPITAL ASSETS

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2016:

	Balance 6/30/2015	Reclasses	Additions	Deletions	Balance 6/30/2016
Capital Assets Not Being Depreciated					
Land	\$ 3,088,987	\$ -	\$ -	\$ -	\$ 3,088,987
Construction in Progress	51,009	(51,009)	-	-	-
Total Capital Assets Not Being Depreciated	<u>3,139,996</u>	<u>(51,009)</u>	<u>-</u>	<u>-</u>	<u>3,088,987</u>
Capital Assets Being Depreciated					
Buildings and Improvements	72,165,549	51,009	228,771	-	72,445,329
Furniture and Equipment	1,739,410	-	123,163	-	1,862,573
Subtotal Capital Assets Being Depreciated	<u>73,904,959</u>	<u>51,009</u>	<u>351,934</u>	<u>-</u>	<u>74,307,902</u>
Accumulated Depreciation					
Buildings and Improvements	(62,394,472)	(343,783)	(1,778,199)	-	(64,516,454)
Furniture and Equipment	(1,929,726)	343,783	(50,328)	-	(1,636,271)
Subtotal Accumulated Depreciation	<u>(64,324,198)</u>	<u>-</u>	<u>(1,828,527)</u>	<u>-</u>	<u>(66,152,725)</u>
Depreciable Assets, Net	9,580,761	51,009	(1,476,593)	-	8,155,177
Total Capital Assets, Net	<u>\$ 12,720,757</u>	<u>\$ -</u>	<u>\$ (1,476,593)</u>	<u>\$ -</u>	<u>\$ 11,244,164</u>

NOTE E: NOTES 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, 2016, the Note Receivable balance is \$636,555.

Allowance

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

Interest Income

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

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NOTE F: LONG-TERM DEBT

Energy Performance Contract - On May 1, 2003, the Authority issued a note for \$1,983,066 to provide funding to acquire and install certain energy saving equipment. The note matured in 2016.

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

	Balance July 1, 2015	Additions	Deletions	Balance July 1, 2016	Current Portion
Energy Performance Debt	\$ 5,013	\$ -	\$ (5,013)	\$ -	\$ -
Compensated Absences	342,345	178,330	(136,604)	384,071	39,971
FSS Escrows	38,066	19	(1,708)	36,377	-
Net Pension Liability	1,673,364	987,461	-	2,660,825	-
Total Restricted Net Assets	\$ 2,058,788	\$ 1,165,810	\$ (143,325)	\$ 3,081,273	\$ 39,971

NOTE G: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

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

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

The Authority's contractually required contribution to the Traditional and Combined Plans was \$242,647 for FYE 6/30/16.

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

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Plan	Combined Plan	Total
Proportionate Share of the Net Pension Liability / (Asset)	\$2,672,670	(\$12,350)	\$2,660,320
Proportion of the Net Pension Liability / (Asset)	0.015430%	0.025380%	
Pension Expense	\$375,534	\$6,512	\$382,046
Change in Proportionate Share	0.001471%	-0.001239%	

At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$785,598	\$5,332	\$790,930
Changes in proportion and differences between City contributions and proportionate share of contributions	117,057	323	117,380
Authority contributions subsequent to the measurement date	117,011	5,628	122,639
Total Deferred Outflows of Resources	<u>\$1,019,666</u>	<u>\$11,283</u>	<u>\$1,030,949</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$51,642	\$5,634	\$57,276
Total Deferred Inflows of Resources	<u>\$51,642</u>	<u>\$5,634</u>	<u>\$57,276</u>

\$122,639 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

Year Ending June 30:

	2017	\$226,525
	2018	239,086
	2019	209,711
	2020	178,328
	2021	(674)
	Thereafter	<u>(1,943)</u>
Total		<u><u>\$851,033</u></u>

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, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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NOTE G: DEFINED BENEFIT PENSION PLANS (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 four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust 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 and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. 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.

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NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

<u>Authority's proportionate share of the net pension liability</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Traditional Plan	\$4,258,217	\$2,672,670	\$1,335,312
Combined Plan	(\$254)	(\$12,350)	(\$22,081)

NOTE H: POST-EMPLOYMENT BENEFITS

A. Plan Description

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

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

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

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016
 (CONTINUED)**

NOTE H: POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015 and 2016, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%. The portion of actual Authority contributions for the year ended June 30, 2016, 2015, and 2014, which were used by OPERS to fund post-employment benefits were \$40,441, \$38,240, and \$27,400, respectively.

NOTE I: RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2016, there were no liabilities to be reported.

NOTE J: RESTRICTED NET POSITION

HCV/HAP Equity	\$ 534,230
Restricted for Development	212,670
Loan to Beacon Pointe Tax Credit Property	636,555
	<u>\$ 1,383,455</u>

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016
 (CONTINUED)**

NOTE K: ECONOMIC DEPENDENCY

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

NOTE L: INTERCOMPANY AMOUNT DUE FROM HOUSING CHOICE VOUCHER PROGRAM TO COCC

The following summarizes changes in the intercompany amount due from the Housing Choice Voucher Program to the COCC in the fiscal period:

Balance July 1, 2015	\$ 630,265
Payment due of Due/To Paid	(60,000)
FYE 6/30/16 Fees Charged	475,624
Other Payments in Period	<u>(1,045,889)</u>
Balance June 30, 2016	<u><u>\$ -</u></u>

NOTE M: 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.

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

Traditional Plan	2016	2015	2014
Authority's Proportion of the Net Pension Liability - Traditional Plan	0.015430%	0.013959%	0.013959%
Authority's Proportion of the Net Pension Liability - Combined Plan	0.025380%	0.026619%	0.026619%
Authority's Proportionate Share of the Net Pension Liability	\$2,672,670	\$1,683,612	\$1,645,585
Authority's Covered-Employee Payroll	\$1,939,833	\$1,822,542	\$1,961,892
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	137.78%	92.38%	83.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Traditional Plan	81.08%	86.45%	86.36%
Combined Plan	2016	2015	2014
Authority's Proportion of the Net Pension (Asset)	0.025380%	0.026619%	0.026619%
Authority's Proportionate Share of the Net Pension (Asset)	(\$12,350)	(\$10,248)	(\$2,793)
Authority's Covered-Employee Payroll	\$89,467	\$92,886	\$121,708
Authority's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Employee Payroll	-13.80%	-11.03%	-2.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Combined Plan	116.90%	114.83%	104.33%

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

Amounts presented as of the Authority's fiscal year end.
The plan measurement date is the prior calendar year end.

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

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

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ PROGRAM/TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 3,841,248
<u>Capital Fund Program Cluster</u>		
Public Housing Capital Fund Program	14.872	1,074,669
Total Capital Fund Program Cluster		<u>1,074,669</u>
<u>Section 8 Housing Assistance Program</u>		
Housing Choice Voucher Program	14.871	14,199,694
Moderate Rehabilitation Single Room Occupancy	14.249	31,957
Total Section 8 Housing Assistance Program		<u>14,231,651</u>
Total U.S. Department of Housing and Urban Development		<u><u>19,147,568</u></u>
Total Expenditures of Federal Awards		<u><u>\$ 19,147,568</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Butler Metropolitan Housing Authority (the Authority) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the fiscal year ending June 30, 2016.

NOTE D – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the fiscal year ended June 30, 2016.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2016.

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2016

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,825,222		\$37,522	\$249,094	\$2,363,147	\$5,474,985		\$5,474,985
112 Cash - Restricted - Modernization and Development	\$212,670					\$212,670		\$212,670
113 Cash - Other Restricted		\$552,769				\$552,769		\$552,769
114 Cash - Tenant Security Deposits	\$120,965					\$120,965		\$120,965
115 Cash - Restricted for Payment of Current Liabilities						\$0		\$0
100 Total Cash	\$3,158,857	\$552,769	\$37,522	\$249,094	\$2,363,147	\$6,361,389	\$0	\$6,361,389
121 Accounts Receivable - PHA Projects						\$0		\$0
122 Accounts Receivable - HUD Other Projects						\$0		\$0
124 Accounts Receivable - Other Government		\$178,721				\$178,721		\$178,721
125 Accounts Receivable - Miscellaneous	\$45,024					\$45,024		\$45,024
126 Accounts Receivable - Tenants	\$95,082					\$95,082		\$95,082
126.1 Allowance for Doubtful Accounts - Tenants	-\$40,605					-\$40,605		-\$40,605
126.2 Allowance for Doubtful Accounts - Other	-\$14,900					-\$14,900		-\$14,900
127 Notes, Loans, & Mortgages Receivable - Current						\$0		\$0
128 Fraud Recovery						\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud						\$0		\$0
129 Accrued Interest Receivable						\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$84,601	\$178,721	\$0	\$0	\$0	\$263,322	\$0	\$263,322
131 Investments - Unrestricted						\$0		\$0
132 Investments - Restricted						\$0		\$0
135 Investments - Restricted for Payment of Current Liability						\$0		\$0
142 Prepaid Expenses and Other Assets	\$134,821	\$13,099			\$28,777	\$176,697		\$176,697
143 Inventories	\$131,597					\$131,597		\$131,597
143.1 Allowance for Obsolete Inventories	-\$15,301					-\$15,301		-\$15,301
144 Inter Program Due From					\$14,204	\$14,204	-\$14,204	\$0
145 Assets Held for Sale						\$0		\$0
150 Total Current Assets	\$3,494,575	\$744,589	\$37,522	\$249,094	\$2,406,128	\$6,931,908	-\$14,204	\$6,917,704

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2016

161 Land	\$3,053,562				\$35,425	\$3,088,987		\$3,088,987
162 Buildings	\$70,972,477				\$1,472,852	\$72,445,329		\$72,445,329
163 Furniture, Equipment & Machinery - Dwellings						\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$1,462,478	\$86,554			\$313,541	\$1,862,573		\$1,862,573
165 Leasehold Improvements						\$0		\$0
166 Accumulated Depreciation	-\$64,336,228	-\$72,893			-\$1,743,604	-\$66,152,725		-\$66,152,725
167 Construction in Progress						\$0		\$0
168 Infrastructure						\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$11,152,289	\$13,661	\$0	\$0	\$78,214	\$11,244,164	\$0	\$11,244,164
171 Notes, Loans and Mortgages Receivable - Non-Current	\$636,555					\$636,555		\$636,555
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						\$0		\$0
173 Grants Receivable - Non Current						\$0		\$0
174 Other Assets		\$505				\$505		\$505
176 Investments in Joint Ventures						\$0		\$0
180 Total Non-Current Assets	\$11,788,844	\$14,166	\$0	\$0	\$78,214	\$11,881,224	\$0	\$11,881,224
200 Deferred Outflow of Resources	\$503,928	\$247,324			\$279,697	\$1,030,949		\$1,030,949
290 Total Assets and Deferred Outflow of Resources	\$15,787,347	\$1,006,079	\$37,522	\$249,094	\$2,764,039	\$19,844,081	-\$14,204	\$19,829,877
311 Bank Overdraft						\$0		\$0
312 Accounts Payable <= 90 Days	\$65,313	\$8,396			\$30,008	\$103,717		\$103,717
313 Accounts Payable >90 Days Past Due						\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$50,342	\$38,055			\$38,136	\$126,533		\$126,533
322 Accrued Compensated Absences - Current Portion	\$34,152				\$5,819	\$39,971		\$39,971
324 Accrued Contingency Liability						\$0		\$0
325 Accrued Interest Payable						\$0		\$0
331 Accounts Payable - HUD PHA Programs		\$1,232	\$23,318			\$24,550		\$24,550
332 Account Payable - PHA Projects						\$0		\$0
333 Accounts Payable - Other Government						\$0		\$0
341 Tenant Security Deposits	\$120,965					\$120,965		\$120,965
342 Unearned Revenue	\$5,350					\$5,350		\$5,350
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						\$0		\$0

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2016

344 Current Portion of Long-term Debt - Operating Borrowings						\$0		\$0
345 Other Current Liabilities	\$3,015					\$3,015		\$3,015
346 Accrued Liabilities - Other	\$15,812					\$15,812		\$15,812
347 Inter Program - Due To			\$14,204			\$14,204	-\$14,204	\$0
348 Loan Liability - Current						\$0		\$0
310 Total Current Liabilities	\$294,949	\$47,683	\$37,522	\$0	\$73,963	\$454,117	-\$14,204	\$439,913
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings						\$0		\$0
353 Non-current Liabilities - Other		\$36,377				\$36,377		\$36,377
354 Accrued Compensated Absences - Non Current	\$153,236	\$79,441			\$111,423	\$344,100		\$344,100
355 Loan Liability - Non Current						\$0		\$0
356 FASB 5 Liabilities						\$0		\$0
357 Accrued Pension and OPEB Liabilities	\$1,300,366	\$638,715			\$721,744	\$2,660,825		\$2,660,825
350 Total Non-Current Liabilities	\$1,453,602	\$754,533	\$0	\$0	\$833,167	\$3,041,302	\$0	\$3,041,302
300 Total Liabilities	\$1,748,551	\$802,216	\$37,522	\$0	\$907,130	\$3,495,419	-\$14,204	\$3,481,215
400 Deferred Inflow of Resources	\$27,996	\$13,741			\$15,539	\$57,276		\$57,276
508.4 Net Investment in Capital Assets	\$11,152,289	\$13,661	\$0	\$0	\$78,214	\$11,244,164		\$11,244,164
511.4 Restricted Net Position	\$849,225	\$534,230	\$0	\$0		\$1,383,455		\$1,383,455
512.4 Unrestricted Net Position	\$2,009,286	-\$357,769	\$0	\$249,094	\$1,763,156	\$3,663,767		\$3,663,767
513 Total Equity - Net Assets / Position	\$14,010,800	\$190,122	\$0	\$249,094	\$1,841,370	\$16,291,386	\$0	\$16,291,386
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$15,787,347	\$1,006,079	\$37,522	\$249,094	\$2,764,039	\$19,844,081	-\$14,204	\$19,829,877
70300 Net Tenant Rental Revenue	\$1,731,959					\$1,731,959		\$1,731,959
70400 Tenant Revenue - Other	\$18,604					\$18,604		\$18,604
70500 Total Tenant Revenue	\$1,750,563	\$0	\$0	\$0	\$0	\$1,750,563	\$0	\$1,750,563
70600 HUD PHA Operating Grants	\$4,687,144	\$14,199,694	\$31,957			\$18,918,795		\$18,918,795
70610 Capital Grants	\$228,773					\$228,773		\$228,773
70710 Management Fee					\$977,470	\$977,470	-\$977,470	\$0
70720 Asset Management Fee					\$136,790	\$136,790	-\$136,790	\$0
70730 Book Keeping Fee					\$281,536	\$281,536	-\$281,536	\$0

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2016

70740 Front Line Service Fee						\$0		\$0
70750 Other Fees						\$0		\$0
70700 Total Fee Revenue					\$1,395,796	\$1,395,796	-\$1,395,796	\$0
70800 Other Government Grants						\$0		\$0
71100 Investment Income - Unrestricted	\$218	\$500		\$253		\$971		\$971
71200 Mortgage Interest Income						\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale						\$0		\$0
71310 Cost of Sale of Assets						\$0		\$0
71400 Fraud Recovery		\$9,094				\$9,094		\$9,094
71500 Other Revenue	\$135,619	\$928,165			\$14,311	\$1,078,095		\$1,078,095
71600 Gain or Loss on Sale of Capital Assets						\$0		\$0
72000 Investment Income - Restricted	\$99					\$99		\$99
70000 Total Revenue	\$6,802,416	\$15,137,453	\$31,957	\$253	\$1,410,107	\$23,382,186	-\$1,395,796	\$21,986,390
91100 Administrative Salaries	\$607,184	\$638,079			\$271,037	\$1,516,300		\$1,516,300
91200 Auditing Fees	\$6,250	\$5,004			\$1,251	\$12,505		\$12,505
91300 Management Fee	\$673,389	\$292,692	\$11,389			\$977,470	-\$977,470	\$0
91310 Book-keeping Fee	\$98,604	\$182,932				\$281,536	-\$281,536	\$0
91400 Advertising and Marketing						\$0		\$0
91500 Employee Benefit contributions - Administrative	\$287,429	\$277,018			\$231,860	\$796,307		\$796,307
91600 Office Expenses	\$101,543	\$70,196			\$136,150	\$307,889		\$307,889
91700 Legal Expense	\$7,837	\$5,347		\$165	\$1,825	\$15,174		\$15,174
91800 Travel	\$1,473	\$2,303			\$12,496	\$16,272		\$16,272
91810 Allocated Overhead						\$0		\$0
91900 Other	\$103,133	\$3,517		\$20,579	\$17,683	\$144,912		\$144,912
91000 Total Operating - Administrative	\$1,886,842	\$1,477,088	\$11,389	\$20,744	\$672,302	\$4,068,365	-\$1,259,006	\$2,809,359
92000 Asset Management Fee	\$136,790					\$136,790	-\$136,790	\$0
92100 Tenant Services - Salaries						\$0		\$0
92200 Relocation Costs						\$0		\$0
92300 Employee Benefit Contributions - Tenant Services						\$0		\$0
92400 Tenant Services - Other	\$13,281					\$13,281		\$13,281
92500 Total Tenant Services	\$13,281	\$0	\$0	\$0	\$0	\$13,281	\$0	\$13,281
93100 Water	\$146,983				\$331	\$147,314		\$147,314
93200 Electricity	\$427,455				\$21,659	\$449,114		\$449,114
93300 Gas	\$178,605					\$178,605		\$178,605
93400 Fuel						\$0		\$0
93500 Labor						\$0		\$0

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2016

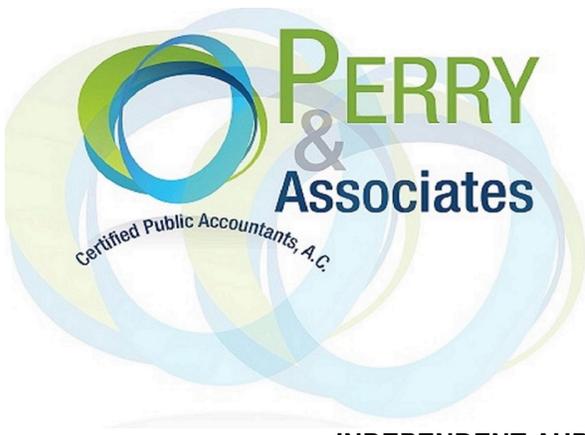
93600 Sewer					\$239	\$239		\$239
93700 Employee Benefit Contributions - Utilities						\$0		\$0
93800 Other Utilities Expense	\$245,902					\$245,902		\$245,902
93000 Total Utilities	\$998,945	\$0	\$0	\$0	\$22,229	\$1,021,174	\$0	\$1,021,174
94100 Ordinary Maintenance and Operations - Labor	\$721,992					\$721,992		\$721,992
94200 Ordinary Maintenance and Operations - Materials and Other	\$225,748				\$217	\$225,965		\$225,965
94300 Ordinary Maintenance and Operations Contracts	\$976,249	\$16,940			\$53,851	\$1,047,040		\$1,047,040
94500 Employee Benefit Contributions - Ordinary Maintenance	\$374,149					\$374,149		\$374,149
94000 Total Maintenance	\$2,298,138	\$16,940	\$0	\$0	\$54,068	\$2,369,146	\$0	\$2,369,146
95100 Protective Services - Labor						\$0		\$0
95200 Protective Services - Other Contract Costs	\$37,189				\$840	\$38,029		\$38,029
95300 Protective Services - Other						\$0		\$0
95500 Employee Benefit Contributions - Protective Services						\$0		\$0
95000 Total Protective Services	\$37,189	\$0	\$0	\$0	\$840	\$38,029	\$0	\$38,029
96110 Property Insurance	\$214,250				\$23,937	\$238,187		\$238,187
96120 Liability Insurance		\$351				\$351		\$351
96130 Workmen's Compensation						\$0		\$0
96140 All Other Insurance						\$0		\$0
96100 Total insurance Premiums	\$214,250	\$351	\$0	\$0	\$23,937	\$238,538	\$0	\$238,538
96200 Other General Expenses		\$8,056	\$12			\$8,068		\$8,068
96210 Compensated Absences	\$15,722	\$9,203			\$28,388	\$53,313		\$53,313
96300 Payments in Lieu of Taxes						\$0		\$0
96400 Bad debt - Tenant Rents	\$115,554					\$115,554		\$115,554
96500 Bad debt - Mortgages						\$0		\$0
96600 Bad debt - Other						\$0		\$0
96800 Severance Expense						\$0		\$0
96000 Total Other General Expenses	\$131,276	\$17,259	\$12	\$0	\$28,388	\$176,935	\$0	\$176,935
96710 Interest of Mortgage (or Bonds) Payable						\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)						\$0		\$0
96730 Amortization of Bond Issue Costs						\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$5,716,711	\$1,511,638	\$11,401	\$20,744	\$801,764	\$8,062,258	-\$1,395,796	\$6,666,462
97000 Excess of Operating Revenue over Operating Expenses	\$1,085,705	\$13,625,815	\$20,556	-\$20,491	\$608,343	\$15,319,928	\$0	\$15,319,928

Butler Metropolitan Housing Authority
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June 30, 2016

97100 Extraordinary Maintenance	\$219,768					\$219,768		\$219,768
97200 Casualty Losses - Non-capitalized	\$9,314					\$9,314		\$9,314
97300 Housing Assistance Payments		\$12,906,603	\$23,372			\$12,929,975		\$12,929,975
97350 HAP Portability-In		\$688,978				\$688,978		\$688,978
97400 Depreciation Expense	\$1,807,990	\$3,899			\$16,638	\$1,828,527		\$1,828,527
97500 Fraud Losses						\$0		\$0
97600 Capital Outlays - Governmental Funds						\$0		\$0
97700 Debt Principal Payment - Governmental Funds						\$0		\$0
97800 Dwelling Units Rent Expense						\$0		\$0
90000 Total Expenses	\$7,753,783	\$15,111,118	\$34,773	\$20,744	\$818,402	\$23,738,820	-\$1,395,796	\$22,343,024
10010 Operating Transfer In	\$290,966					\$290,966	-\$290,966	\$0
10020 Operating transfer Out	-\$290,966					-\$290,966	\$290,966	\$0
10030 Operating Transfers from/to Primary Government						\$0		\$0
10040 Operating Transfers from/to Component Unit						\$0		\$0
10050 Proceeds from Notes, Loans and Bonds						\$0		\$0
10060 Proceeds from Property Sales						\$0		\$0
10070 Extraordinary Items, Net Gain/Loss						\$0		\$0
10080 Special Items (Net Gain/Loss)						\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$249,300					\$249,300	-\$249,300	\$0
10092 Inter Project Excess Cash Transfer Out	-\$249,300					-\$249,300	\$249,300	\$0
10093 Transfers between Program and Project - In						\$0		\$0
10094 Transfers between Project and Program - Out						\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$951,367	\$26,335	-\$2,816	-\$20,491	\$591,705	-\$356,634	\$0	-\$356,634
11020 Required Annual Debt Principal Payments						\$0		\$0
11030 Beginning Equity	\$14,962,167	\$163,787	\$2,816	\$269,585	\$1,249,665	\$16,648,020		\$16,648,020
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						\$0		\$0
11050 Changes in Compensated Absence Balance						\$0		\$0
11060 Changes in Contingent Liability Balance						\$0		\$0
11070 Changes in Unrecognized Pension Transition Liability						\$0		\$0
11080 Changes in Special Term/Severance Benefits Liability						\$0		\$0
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						\$0		\$0
11100 Changes in Allowance for Doubtful Accounts - Other						\$0		\$0
11170 Administrative Fee Equity		-\$344,108				-\$344,108		-\$344,108
11180 Housing Assistance Payments Equity		\$534,230				\$534,230		\$534,230
11190 Unit Months Available	13680	29076	132			42888		42888
11210 Number of Unit Months Leased	13058	24391	132			37581		37581

Butler Metropolitan Housing Authority
 Butler County
 Financial Data Schedule
 June 30, 2016

11270 Excess Cash	\$2,287,379					\$2,287,379		\$2,287,379
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$228,773				\$0	\$228,773		\$228,773
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
11660 Infrastructure Purchases	\$0				\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0		\$0



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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**

December 31, 2016

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

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Butler Metropolitan Housing Authority**, Butler County, (the Authority) as of and for the year ended June 30, 2016, 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 31, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we 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 Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



...“bringing more to the table”

Tax- Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll
Litigation Support - Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated December 31, 2016.

Purpose of this Report

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



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

December 31, 2016

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

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited **Butler Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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



... "bringing more to the table"

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Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Section 8 Housing Assistance Program, Housing Choice Voucher Program-CFDA #14.871
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

BUTLER COUNTY METROPOLITAN HOUSING AUTHORITY

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 30, 2017**