



OHIO AUDITOR OF STATE
KEITH FABER



**BROWN METROPOLITAN HOUSING AUTHORITY
BROWN COUNTY
MARCH 31, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Brown Metropolitan Housing Authority
Brown County
406 W. Plume St.
Georgetown, Ohio 45121

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Brown Metropolitan Housing Authority, Brown County, Ohio (the Authority), as of and for the year ended March 31, 2020, 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 such 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brown Metropolitan Housing Authority, Brown County, Ohio, as of March 31, 2020, and the changes in 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* listed in the table of contents to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Financial Data Schedules present additional analysis and are not a required part of the basic 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, 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 black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent "K" and "F".

Keith Faber
Auditor of State
Columbus, Ohio
December 2, 2020

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**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended March 31, 2020**

Unaudited

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

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

FINANCIAL HIGHLIGHTS

- The revenue decreased by \$72,756 during 2020. Total revenues were \$382,128 and \$309,372 for 2019 and 2020, respectively.
- The total expenses decreased by \$7,826. Total expenses were \$379,871 and \$372,045 for 2019 and 2020, respectively.

USING THIS ANNUAL REPORT

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2020**

Unaudited

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2020**

Unaudited

BASIC FINANCIAL STATEMENTS

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

**TABLE 1
STATEMENT OF NET POSITION**

		2019	2020
Current and other assets		\$ 70,116	\$ 64,476
Capital assets		935,745	880,658
	TOTAL ASSETS	1,005,861	945,134
Current liabilities		10,372	12,318
	TOTAL LIABILITIES	10,372	12,318
Net Position:			
Invested in capital assets, net of related debt		930,820	880,658
Restricted net position		14,488	-
Unrestricted net position		50,181	52,158
	TOTAL NET POSITION	\$ 995,489	\$ 932,816

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION:

Current assets decreased due to the Authority using the Restricted Net Position to pay for the housing assistance payments.

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

Net position decreased due to the change in invested in assets and the decrease in Restricted Net Position.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2020**

Unaudited

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

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

		2019	2020
Revenues			
Tenant Revenue - rents		\$ 46,662	\$ 45,662
Operating subsidies and grants		252,343	237,501
Capital grants		30,424	-
Interest income/other revenues		52,699	26,209
	TOTAL REVENUE	382,128	309,372
Expenses			
Administration		66,932	65,267
Utilities		18,983	20,342
Insurance		7,133	6,691
Maintenance		39,948	43,570
General		96	-
Bad Debt		4,315	2,609
Housing assistance payments		177,576	166,495
Depreciation		64,888	67,071
	TOTAL EXPENSES	379,871	372,045
	CHANGE IN NET POSITION	\$ 2,257	\$ (62,673)

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

Total revenue decreased due to capital funds and absorbing ports. Total expenses decreased due to working tenants not receiving utility reimbursements and not paying as much rent on their behalf.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2020**

Unaudited

**TABLE 3
CHANGE IN UNRESTRICTED NET POSITION**

Unrestricted Net Position 3/31/19			\$ 45,256
Results from operations	(48,185)		
Adjustments:			
Depreciation (1)	67,071		
Adjusted results from operations			18,886
Capital expenditures			(11,984)
Unrestricted Net Position 3/31/20			\$ 52,158

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

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2020**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had \$880,658 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$55,087 from the end of last fiscal year. See Note 5 for additional information

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

	2019	2020
Land and land rights	\$ 1,049	\$ 1,049
Building	2,061,674	2,058,954
Equipment - dwellings	25,303	25,303
Accumulated depreciation	(1,152,281)	(1,204,648)
TOTAL	\$ 935,745	\$ 880,658

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE	\$ 935,745
Capital asset additions	11,984
Depreciation	(67,071)
ENDING BALANCE	\$ 880,658

DEBT ADMINISTRATION

As of March 31, 2019, the Authority had no debt. There is no outstanding debt at March 31, 2020.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2020**

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- The Authority's public tenants are holding jobs with higher wages due to the increase in minimum wage rate. Tenants are also keeping their employment longer due to changes in policy allowing tenants to work for a full year before their income is considered.
- COVID-19 was beginning to spread and close down our state at the end of our program year. People were losing their jobs and being quarantine. The impact of COVID-19 will be reflected in 2021 audit.

FINANCIAL CONTACT

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

Respectfully submitted,

Samantha Patterson
Executive Director

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BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
March 31, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$	49,593.00
Cash and cash equivalents-restricted	\$	8,262.00
Accounts receivable-net of allowance	\$	6,621.00
TOTAL CURRENT ASSETS	\$	64,476.00

Noncurrent Assets

CAPITAL ASSETS

Land	\$	1,049
Other capital assets-net	\$	879,609
TOTAL NONCURRENT ASSETS	\$	880,658

TOTAL ASSETS \$ 945,134.00

LIABILITIES

Current Liabilities

Accounts payable	\$	4,056.00
Accounts payable - other government	\$	-
Tenant security deposits	\$	8,262.00
TOTAL LIABILITIES	\$	12,318.00

NET POSITION

Net investment in capital assets	\$	880,658
Restricted net position	\$	-
Unrestricted net position	\$	52,158
TOTAL NET POSITION	\$	932,816

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
Year Ended March 31, 2020

OPERATING REVENUES

HUD operating grants	\$ 237,501.00
Tenant rental revenue	\$ 45,662.00
Other revenue	\$ 26,209.00
TOTAL OPERATING REVENUES	\$ 309,372.00

OPERATING EXPENSES

Administrative	\$ 65,267.00
Utilities	\$ 20,342.00
Insurance	\$ 6,691.00
Maintenance	\$ 43,570.00
General	\$ -
Bad debt	\$ 2,609.00
Housing assistance payments	\$ 166,495.00
Depreciation	\$ 67,071.00
TOTAL OPERATING EXPENSES	\$ 372,045.00

OPERATING (LOSS) \$ (62,673.00)

NON-OPERATING REVENUE

HUD Capital Grants	\$ -
CHANGE IN NET POSITION	\$ (62,673.00)

NET POSITION BEGINNING OF YEAR

	\$ 995,489.00
NET POSITION END OF YEAR	\$ 932,816.00

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from HUD	\$ 237,501.00
Cash received from tenants	\$ 45,541.00
Cash received from other revenue	\$ 28,519.00
Cash payments for housing assistance payments	\$ (166,495.00)
Cash payments for other operating expenses	<u>\$ (145,112.00)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (46.00)

CASH FLOW FROM CAPITAL ACTIVITIES

Capital grants received for capital assets	\$ -
Acquisition of capital assets	<u>\$ (11,984.00)</u>
NET CASH (USED) BY CAPITAL ACTIVITIES	\$ (11,984.00)

CHANGE IN CASH AND CASH EQUIVALENTS \$ (12,030.00)

CASH AND CASH EQUIVALENTS, BEGINNING \$ 69,885.00

CASH AND CASH EQUIVALENTS, ENDING \$ 57,855.00

RECONCILIATION OF CHANGE IN NET POSITON TO NET CASH

PROVIDED BY OPERATING ACTIVITIES:

Change in net position	\$ (62,673.00)
Adjustments to reconcile change in net position to net cash provided by operating activities	
Depreciation	\$ 67,071.00
(Increase) decrease in:	
Receivables- net of allowance	\$ (6,390.00)
Increase (decrease) in:	
Accounts payable	\$ 1,589.00
Tenant security deposits	<u>\$ 357.00</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (46.00)</u></u>

See accompanying notes to the basic financial statements

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BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2020

1. DESCRIPTION OF THE REPORTING ENTITY

Reporting Entity

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

The financial statements of the Brown Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described in Note 2.

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

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

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

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

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

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

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

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

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2020

1. DESCRIPTION OF THE REPORTING ENTITY - CONTINUED

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

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

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

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

Accounting and Reporting for Nonexchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Non-exchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving (or receiving equal value in return).

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

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting and Reporting for Nonexchange Transactions - Continued

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

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

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less and include unrestricted cash of \$49,593 and restricted cash of \$8,262 for a total cash and cash equivalents of \$57,855. There were no amounts in excess of FDIC Insurance limits.

Investments

The provisions of the HUD Regulations restrict investments. Interest income earned in fiscal year ended March 31, 2020 for both programs totaled \$0.

Receivables – Net of Allowance

Bad debts are provided on the allowance method based on management’s evaluation of the collectability of outstanding tenant receivables at the end of the year. Management identified receivables they believe to be uncollectible and recorded an allowance for doubtful accounts of \$2,609 at March 31, 2020.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

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

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

determined to represent additions or betterments are capitalized.

Due From/To Other Programs

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

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The amounts reported as restricted net position at fiscal year-end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts restricted as tenant security deposits. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources.

Operating Revenues and Expenses

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

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

Capital Grant

This represents grants provided by HUD that the Authority spends on capital assets. The Authority did not utilize capital grants this grant year.

Budgetary Accounting

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

3. DEPOSITS AND INVESTMENTS

Deposits

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2020

3. DEPOSITS AND INVESTMENTS - CONTINUED

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

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

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2020, the Authority was not exposed to custodial risk because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. At fiscal year-end March 31, 2020, the carrying amount of the Authority's deposits totaled \$57,855 and its bank balance was \$60,892.

Investments

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

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

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

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

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

At March 31, 2020, the Authority did not have any investments.

4. INSURANCE AND RISK MANAGEMENT

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

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

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

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2020

5. CAPITAL ASSETS

The following is a summary of capital assets:

				Balance 3/31/2019	Additions/ Disposals/ Corrections	Balance 3/31/2020
CAPITAL ASSETS, NOT BEING DEPRECIATED						
	Land			\$ 1,049	\$ -	\$ 1,049
CAPITAL ASSETS, BEING DEPRECIATED						
	Buildings and improvements			\$ 2,061,674	\$ 11,984	\$ 2,073,658
	Furniture and equipment			\$ 25,303	\$ -	\$ 25,303
	Totals at Historical Costs			\$ 2,086,977	\$ 11,984	\$ 2,098,961
	Accumulated depreciation			\$ (1,152,281)	\$ (67,071)	\$ (1,219,352)
		TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED		\$ 934,696	\$ (55,087)	\$ 879,609
		TOTAL NET CAPITAL ASSETS		\$ 935,745	\$ (55,087)	\$ 880,658
	Accumulated Depreciation by Class:					
		Building and improvements				\$ 1,194,049
		Furniture and equipment				\$ 25,303
		TOTAL ACCUMULATED DEPRECIATION				\$ 1,219,352

6. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2020, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and change in net position and other data to HUD as required on the GAAP basis. The FDS schedules follow the footnotes. The schedules are presented in the manner prescribed by the Department of Housing and Urban Development.

7. CONTRACT SERVICES

The Authority contracts with:

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

8. CONTINGENT LIABILITIES

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

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2020

9. HAP AND ADMINISTRATIVE TRACKING ACCOUNTS

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

	Restricted		Total
	HAP	Administrative	
Balance 3/31/19	\$ 14,488	\$ 10,964	\$ 25,452
HAP received	\$ 124,886	\$ -	\$ 124,886
Administrative received	\$ -	\$ 22,423	\$ 22,423
HAP expenses	\$ (141,933)	\$ -	\$ (141,933)
Administrative expenses	\$ -	\$ (22,423)	\$ (22,423)
Other income	\$ -	\$ 1,615	\$ 1,615
Balance 3/31/2020	\$ (2,559)	\$ 12,579	\$ 10,020

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 2, 2020, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

The Housing Authority's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (Covid-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption may cause an adverse impact on the Housing Authority's financial position, operations and cash flows. Possible effects may include, the reduction of tenant's dwelling rent due to the increased unemployment, absenteeism in the Housing Authority's workforce, unavailability of products and supplies, and reduced accessibility to contractors.

Additional funding from the Cares Act legislation has been provided to the Low Rent Housing Program to aid in the preventing, preparing and responding to the COVID-19 virus. This funding, totaling \$13,786 for the Low Rent Housing Program, \$4,500 for the CARES HAP, and \$6,479 as supplemental administrative fees have been obligated to the Authority. The supplemental funding must be spent by December 31, 2020.

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BROWN METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE SUBMITTED TO HUD
ENTITY WIDE - STATEMENT OF NET POSITION
For the Year Ended March 31, 2020

	Project Total	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$43,027	\$6,566	\$49,593
113 Cash - Other Restricted		\$0	\$0
114 Cash - Tenant Security Deposits	\$8,262		\$8,262
100 Total Cash	\$51,289	\$6,566	\$57,855
122 Accounts Receivable - HUD Other Projects		\$5,069	\$5,069
124 Accounts Receivable - Other Government		\$280	\$280
126 Accounts Receivable - Tenants	\$1,042		\$1,042
127 Notes, Loans, & Mortgages Receivable - Current	\$2,387		\$2,387
128.1 Allowance for Doubtful Accounts - Fraud	(\$2,157)		(\$2,157)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,272	\$5,349	\$6,621
150 Total Current Assets	\$52,561	\$11,915	\$64,476
161 Land	\$1,049		\$1,049
162 Buildings	\$2,058,954		\$2,058,954
163 Furniture, Equipment & Machinery - Dwellings	\$25,303		\$25,303
166 Accumulated Depreciation	(\$1,204,648)		(\$1,204,648)
160 Total Capital Assets, Net of Accumulated Depreciation	\$880,658	\$0	\$880,658
180 Total Non-Current Assets	\$880,658	\$0	\$880,658
290 Total Assets and Deferred Outflow of Resources	\$933,219	\$11,915	\$945,134
312 Accounts Payable <= 90 Days	\$2,161	\$1,895	\$4,056
341 Tenant Security Deposits	\$8,262		\$8,262
310 Total Current Liabilities	\$10,423	\$1,895	\$12,318
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$10,423	\$1,895	\$12,318
508.4 Net Investment in Capital Assets	\$880,658		\$880,658
511.4 Restricted Net Position	\$0		\$0
512.4 Unrestricted Net Position	\$42,138	\$10,020	\$52,158
513 Total Equity - Net Assets / Position	\$922,796	\$ 10,020	\$ 932,816
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$933,219	\$11,915	\$945,134

BROWN METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE SUBMITTED TO HUD
ENTITY WIDE - STATEMENT OF REVENUES AND EXPENSES
For the Year Ended March 31, 2020

	Project Total	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue	\$45,541		\$45,541
70400 Tenant Revenue - Other	\$121		\$121
70500 Total Tenant Revenue	\$45,662	\$0	\$45,662
70600 HUD PHA Operating Grants	\$90,192	\$147,309	\$237,501
71100 Investment Income - Unrestricted	\$32		\$32
71500 Other Revenue		\$26,177	\$26,177
70000 Total Revenue	\$135,886	\$173,486	\$309,372
91200 Auditing Fees	\$2,520	\$2,520	\$5,040
91300 Management Fee	\$35,000	\$19,903	\$54,903
91600 Office Expenses	\$2,981		\$2,981
91700 Legal Expense	\$729		\$729
91800 Travel	\$829		\$829
91900 Other	\$785		\$785
91000 Total Operating - Administrative	\$42,844	\$22,423	\$65,267
93100 Water	\$5,863		\$5,863
93200 Electricity	\$445		\$445
93600 Sewer	\$10,060		\$10,060
93800 Other Utilities Expense	\$3,974		\$3,974
93000 Total Utilities	\$20,342	\$0	\$20,342
94100 Ordinary Maintenance and Operations - Labor	\$14,589		\$14,589
94200 Ordinary Maintenance and Operations - Materials and Other	\$7,182		\$7,182
94300 Ordinary Maintenance and Operations Contracts	\$21,799		\$21,799
94000 Total Maintenance	\$43,570	\$0	\$43,570
96110 Property Insurance	\$6,691		\$6,691
96100 Total insurance Premiums	\$6,691		\$6,691
96400 Bad debt - Tenant Rents	\$2,609		\$2,609
96000 Total Other General Expenses	\$2,609		\$2,609
96900 Total Operating Expenses	\$116,056	\$22,423	\$138,479
97000 Excess of Operating Revenue over Operating Expenses	\$19,830	\$151,063	\$170,893
97300 Housing Assistance Payments		\$141,933	\$141,933
97350 HAP Portability-In		\$24,562	\$24,562
97400 Depreciation Expense	\$67,071		\$67,071
90000 Total Expenses	\$183,127	\$188,918	\$372,045
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$47,241)	(\$15,432)	(\$62,673)
11030 Beginning Equity	\$970,037	\$25,452	\$995,489
Net Position End of Year	\$922,796	\$10,020	\$932,816
11170 Administrative Fee Equity		\$12,579	\$12,579
11180 Housing Assistance Payments Equity		(\$2,559)	(\$2,559)
11190 Unit Months Available	228	456	\$684
11210 Number of Unit Months Leased	228	466	\$694
11270 Excess Cash	\$32,467		\$32,467
11610 Land Purchases	\$0		\$0
11620 Building Purchases	\$11,985		\$11,985

OHIO AUDITOR OF STATE KEITH FABER



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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*

Brown Metropolitan Housing Authority
Brown County
406 W. Plume St.
Georgetown, Ohio 45121

To the Board of Directors:

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 Brown Metropolitan Housing Authority, Brown County, (the Authority) as of and for the year ended March 31, 2020, 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 2, 2020. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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.

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*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
December 2, 2020

OHIO AUDITOR OF STATE KEITH FABER



BROWN METROPOLITAN HOUSING AUTHORITY

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/17/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov