

Housing Authority of the County of Butler

Single Audit

December 31, 2023

MaherDuessel

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HOUSING AUTHORITY OF THE COUNTY OF BUTLER

YEAR ENDED DECEMBER 31, 2023

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HOUSING AUTHORITY OF THE COUNTY OF BUTLER

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

**Board of Commissioners
Housing Authority of the County of Butler**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Housing Authority of the County of Butler (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Rolling Road or Chicora Commons, two blended component units of the Authority, which represent 18 percent, 19 percent, and 5 percent, respectively, of the assets, net position, and revenues of the Authority's financial statements as of December 31, 2023. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Rolling Road and Chicora Commons, are based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

Maher Duessel

Pittsburgh, Pennsylvania
July 8, 2024

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The mission of the Housing Authority of the County of Butler (Authority) is to assist low-income families with safe, decent, and affordable housing opportunities as they strive to achieve self-sufficiency and improve the quality of their lives. The Authority is committed to operating in an efficient, ethical, and professional manner. The Authority will create and maintain partnerships with its clients and appropriate community agencies in order to accomplish this mission.

As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

The Authority provided 452 units of Rental Assistance Demonstration housing to qualified residents of Butler County. All units are owned and operated by the Authority. Additionally, the Authority's Housing Choice Voucher Program provided rental subsidies for approximately 1,563 families residing in the private rental market. The Authority was also able to assist 14 homeowners to correct code violations and or make necessary home improvements at a total cost of \$81,036 through the County Emergency Funds and to assist 2 homeowners make necessary home improvements at a total cost of \$23,821 through a Housing Preservation Grant provided by the USDA.

The Authority administers various grants including First Time Homebuyer Grants, the First Time Homebuyer Training, FSS Grants, Counseling Grants, and Special Needs Assistance Grants.

The Authority acts as a management agent for four independently owned housing complexes (162 units) consisting of Chicora Commons Apartments, Rolling Road Regency Apartments, Parker Heights, and Historic Lafayette Apartments. The Authority also manages Deshon Place I and II, which has 20 units of Transitional Housing, and Franklin Court Apartments, which has 46 units.

Financial Highlights

In addition to the following highlights, more descriptive explanation of the following items is provided in this report:

- Total current assets decreased from \$12.4 million in 2022 to \$11.7 million in 2023.
- Total non-current assets stayed consistent at \$16.3 million in 2022 and 2023.
- Total current liabilities increased from \$0.9 million in 2022 to \$1.1 million in 2023.
- Total non-current liabilities decreased from \$11.2 million in 2022 to \$10.8 million in 2023.
- The Authority had operating revenues of \$17,780,260 and operating expenses of \$17,216,793 for calendar year 2023.

Overview of the Financial Statements

The primary purposes of the Authority's basic financial statements are as follows:

- Statement of Net Position – Provides a view of the financial condition of the Authority including its liquidity, capital assets, long-term debt obligations, and net position. Over time, increases or decreases in the Authority's net position are an indication of whether its financial health is improving or deteriorating.
- Statement of Revenues, Expenses, and Changes in Net Position – Provides information with regard to the types of revenues earned and expenses incurred by the Authority on an annual basis. In addition, this statement indicates whether charges for services to customers were sufficient to meet the current operating costs, and potentially certain capital costs, necessary to operate the Authority, or whether the Authority had to draw on prior net position reserves to meet its obligations.
- Statement of Cash Flows – Provides relevant information about the cash receipts and cash payments of the Authority during the year, specifically, how much cash was generated for operating needs, and the amount of cash required for capital needs and debt service obligations.

Analysis of Statement of Net Position

A comparison of the assets, liabilities, and net position of the Authority for the calendar years 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Current Assets	\$ 11,704,760	\$ 12,439,485	\$ (734,725)
Non-Current Assets	16,264,508	16,338,542	(74,034)
Total Assets	27,969,268	28,778,027	(808,759)
Current Liabilities	1,107,914	932,754	175,160
Non-Current Liabilities	10,825,644	11,151,227	(325,583)
Total Liabilities	11,933,558	12,083,981	(150,423)
Deferred Inflows	1,235,123	1,406,105	(170,982)
Net Investment in Capital Assets	5,376,900	5,169,928	206,972
Restricted	290,225	1,255,154	(964,929)
Unrestricted	9,133,462	8,862,859	270,603
Total Net Position	\$ 14,800,587	\$ 15,287,941	\$ (487,354)

Increases and decreases in assets and liabilities shown above were mainly the result of the following financial activity:

Current Assets – The decrease was mainly the result of a decrease in cash and cash equivalents and the derivative investment – basis swap. This was partially offset by an increase in investments. All other current assets remained approximately the same.

Non-Current Assets decreased slightly mainly because of depreciation expense exceeding capital asset additions.

Current Liabilities increased mainly due to an increase in accrued liabilities – other.

Non-Current Liabilities decreased due to a decrease in capital projects/mortgage revenue bonds and non-current liabilities – other.

Comparison of Actual Revenues and Expenditures
For the Years Ended December 31, 2023 and 2022

	2023	2022	Increase (Decrease)
Net Tenant Revenue	\$ 5,438,886	\$ 5,030,038	\$ 408,848
Grant Revenue	11,892,717	13,326,331	(1,433,614)
Other Government Grants	228,030	288,495	(60,465)
Other Revenue	220,627	277,016	(56,389)
Total Operating Revenues	17,780,260	18,921,880	(1,141,620)
Housing Assistance Payments	11,149,721	10,948,112	201,609
Administrative	2,574,759	2,497,057	77,702
Tenant Services	49,160	44,452	4,708
Utilities	910,358	992,581	(82,223)
Maintenance and Operations	1,741,625	1,425,916	315,709
Protective Services	63,431	56,513	6,918
Insurance Premiums	335,593	281,615	53,978
Other General Expenses	392,146	430,562	(38,416)
Total Operating Expenses	17,216,793	16,676,808	539,985
Operating Income	563,467	2,245,072	(1,681,605)
Non-Operating Revenues (Expenses)	(1,050,821)	(1,366,720)	315,899
Change in Net Position	\$ (487,354)	\$ 878,352	\$ (1,365,706)

Analysis of Entity-Wide Revenues

The following represents the programs administered by the Authority along with the revenues generated from these programs during calendar year 2023:

Housing Choice Voucher (HCV)	\$ 11,149,813
RAD Project Based Vouchers	3,966,035
Supportive Housing for Persons with Disabilities	642,756
Supportive Housing Program – Deshon Place I and II	109,397
Resident Opportunity and Supportive Services	79,169
Home Ownership (Net)	89,283
Housing Counseling Assistance Program	23,374
Rural Housing Preservation	27,394
Chicora Commons	229,180
Rolling Road	673,428
Central Office Cost Center (Net)	184,576
Franklin Court	595,399
State/Local - Other	<u>10,456</u>
Total Revenues	<u>\$ 17,780,260</u>

Total above revenues for calendar year 2023 represent a decrease from year 2022 revenues of \$18,921,880 by \$1,141,620 or 6.0%. The decrease was due to decreased funding of \$1,380,721 for the Housing Choice Voucher (HCV) program and decreased funding of \$65,667 for the Supportive Housing for Persons with Disabilities program. There was also decreased funding of \$62,179 for the Rural Housing Preservation program and decreased funding of \$43,653 for the Supportive Housing Program – Deshon Place I and II program. These decreases were partially offset by an increase in funding of \$41,409 for the RAD Project Based Vouchers program. There was also increased funding of \$183,262 for Rolling Road, \$110,842 for Franklin Court and \$27,098 for Chicora Commons. Additionally, was also a revenue increase in the Central Office Cost Center (Net) of \$27,590 and a decrease in State/Local-Other programs of \$1,306, respectively. There were also smaller increases in the Home Ownership (Net) and Housing Counseling Assistance programs funding. Funding for the Resident Opportunity and Supportive Services program remained the same.

Analysis of Entity-Wide Expenditures

Total Operating Expenses for 2023 increased by \$539,985 or 3.2% as compared to calendar year 2022 expenses of \$16,676,808, mainly due to increased housing assistance payments and maintenance and operations costs. There were also increases in administrative costs and insurance premiums and smaller increases in tenant services and protective services. These increases were offset by decreases in utilities

costs and decreases in other general expenses related to grant administration.

Housing Assistance Payments increased by \$201,609 or 1.8% during calendar year 2023 due to an increase in fair market rents.

Administrative Expenses increased slightly with an increase of \$77,702 or 3.1%.

Tenant Services costs remained consistent with an increase of \$4,708 from 2022.

Utilities costs decreased by \$82,223 in 2023, mainly due to electric and natural gas agreements entered into during 2023.

Maintenance and Operations costs for 2023 increased \$315,709 or 22.1% due to higher costs for contracted maintenance labor, garbage and trash removal, heating & cooling, unit turns and extermination and other contracted services. This was offset by decreases in snow removal costs and landscaping & grounds costs. Material costs and elevator maintenance contracted services remained about the same.

Protective Services expenses remained consistent with an increase of \$6,918 from 2022 to 2023.

Insurance Premiums increased by \$53,978 in 2023, mainly due to increases in property insurance and workers' compensation insurance premium rates. There were also smaller increases in the other insurance premium rates.

Other General Expenses decreased by \$38,416 or 8.9% in 2023 mainly due to lower grant administration costs to administer the Rural Housing Preservation grant, partially offset by increased grant administration costs for the Emergency grant.

Capital Assets and Debt Administration

CAPITAL ASSETS

At December 31, 2023, the Authority had \$15,968,797 invested in capital assets, including land, buildings, and furniture and equipment, net of depreciation. These amounts represent a net decrease of \$63,599, or approximately 0.4% from last year due to depreciation and asset dispositions exceeding capital additions. The Authority had \$591,485 in capital additions during the 2023 calendar year. The most significant capital asset additions for the Authority during the year were for elevator modernization at Terrace and Maple Court, roof replacements at Shore, Diamond and Wick Streets, generator at Graystone Manor, hot water heaters at Terrace and Cliffside and the replacement of a vehicle.

The following is a summary of capital assets at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,174,247	\$ 1,174,247
Buildings	43,234,290	42,685,354
Furniture, equipment, and machinery - dwellings	891,125	891,125
Furniture, equipment, and machinery - administrative	955,413	932,304
Accumulated depreciation	(30,599,189)	(29,650,674)
Construction in progress	<u>312,911</u>	<u>-</u>
Total	<u><u>\$ 15,968,797</u></u>	<u><u>\$ 16,032,356</u></u>

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding from the Department of Housing and Urban Development.
- Federal funding of the Community Development Block Grant.
- Funding from the Pennsylvania Department of Community and Economic Development.
- Funding from the County of Butler.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies, and other costs.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer, Housing Authority of the County of Butler, 114 Woody Drive, Butler, PA 16001 or call 724-287-6797.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF NET POSITION

DECEMBER 31, 2023

Assets	
Current assets:	
Cash and cash equivalents:	
Cash - unrestricted	\$ 8,464,411
Cash - other restricted	370,896
Cash - tenant security deposits	83,848
Cash - restricted for payment of current liability	1,763
Total cash and cash equivalents	8,920,918
Accounts receivable - HUD other projects	15,502
Accounts receivable - miscellaneous, net of allowance for doubtful accounts	55,572
Accounts receivable - tenants, net of allowance for doubtful accounts	70,177
Prepaid expenses and other assets	286,636
Inventories	43,466
Assets held for sale	23,000
Investments - unrestricted	1,054,366
Derivative investment	1,235,123
Total current assets	11,704,760
Noncurrent assets:	
Accounts receivable - miscellaneous, net of allowance for doubtful accounts	295,711
Capital assets, non-depreciable	1,487,158
Capital assets, net of accumulated depreciation	14,481,639
Total noncurrent assets	16,264,508
Total Assets	\$ 27,969,268

(Continued)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF NET POSITION

DECEMBER 31, 2023

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 213,278
Accrued interest payable	4,908
Accounts payable - other government	136,425
Tenant security deposits	83,848
Unearned revenue	84,810
Current portion of long-term debt	246,041
Other current liabilities	63,027
Accrued liabilities - other	275,577
Total current liabilities	<u>1,107,914</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	9,188,218
Noncurrent liabilities - other	479,788
Loan liability - noncurrent	1,157,638
Total noncurrent liabilities	<u>10,825,644</u>
Total Liabilities	<u>11,933,558</u>
Deferred Inflows of Resources:	
Accumulated increase in fair value of hedging derivative	<u>1,235,123</u>
Net Position:	
Net investment in capital assets	5,376,900
Restricted	290,225
Unrestricted	9,133,462
Total Net Position	<u>14,800,587</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 27,969,268</u></u>

(Concluded)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2023

Operating Revenues:	
Net tenant revenue	\$ 5,438,886
HUD PHA operating grants	11,892,717
Other government grants	228,030
Other revenue	220,627
	<hr/>
Total operating revenues	17,780,260
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Operating Expenses:	
Housing assistance payments	11,149,721
Administrative	2,574,759
Tenant services	49,160
Utilities	910,358
Maintenance and operations	1,741,625
Protective services	63,431
Insurance premiums	335,593
Other general expenses	392,146
	<hr/>
Total operating expenses	17,216,793
	<hr/>
Operating Income (Loss)	563,467
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Non-Operating Revenues (Expenses):	
Gain (loss) on disposal of capital assets	21,222
Investment income	243,120
Extraordinary maintenance	(48,067)
Interest expense	(252,053)
Depreciation expense	(1,015,043)
	<hr/>
Total non-operating revenues (expenses)	(1,050,821)
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Change in Net Position	(487,354)
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Net position - beginning	15,287,941
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Net position - ending	\$ 14,800,587
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See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities:

Operating grants received	\$ 12,090,998
Receipts from tenants	5,432,097
Other receipts	227,174
Housing assistance payments	(11,149,721)
Payments for goods and services	(5,991,576)
	<hr/>
Net cash provided by (used in) operating activities	608,972
	<hr/>

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(930,262)
Extraordinary maintenance	(48,067)
Interest paid on long-term debt	(252,053)
Principal payment on long-term debt	(270,531)
	<hr/>
Net cash provided by (used in) capital and related financing activities	(1,500,913)
	<hr/>

Cash Flows From Investing Activities:

Sale (purchases) of investments	(1,000,000)
Interest income	188,754
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Net cash provided by (used in) investing activities	(811,246)
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Net Increase (Decrease) in Cash and Cash Equivalents	(1,703,187)
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Cash and Cash Equivalents:

Beginning of year	10,624,105
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End of year	\$ 8,920,918
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(Continued)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

(Continued)

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used in) Operating Activities:

Operating income (loss)	\$	563,467
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Accounts receivable		(20,210)
Prepaid expenses and other assets		(53,638)
Inventories		(755)
Derivative investment		(170,982)
Deferred inflow of resources		170,982
Accounts payable and other liabilities		(51,946)
Accrued interest payable		(142)
Tenant security deposits		4,466
Unearned revenue		(14,247)
Accrued liabilities - other		181,977
Total adjustments		45,505
Net cash provided by (used in) operating activities	\$	608,972

(Concluded)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. Summary of Significant Accounting Policies

Reporting Entity

The Housing Authority of the County of Butler (Authority) was created and organized under the provisions of the Housing Authority Law of 1937 by the Commonwealth of Pennsylvania. Members of the Board of Commissioners are appointed by the County of Butler (County) and have complete authority over the operations and administration of the Authority's activities, subject to certain guidelines of the Department of Housing and Urban Development (HUD).

The Authority is not considered to be a component unit of the County because, although the County appoints the governing body of the Authority, the County cannot impose its will on the Authority, and there is no financial burden or benefit relationship between the County and the Authority.

Component Units

Component units are legally separate organizations for which the Authority is financially accountable. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority designates management, approves their budget, and guarantees their debt.

A blended component unit, although a legally separate entity is, in substance, part of the government's operations and so data from this unit is combined with data of the primary government.

Chicora Commons

Chicora Commons is a 27-unit, affordable housing site for limited-income individuals, age 55 or older, located in Chicora, Pennsylvania. Prior to June 2016, the Authority, through Butler Area Housing Rehabilitation, Inc., maintained a .01% ownership in Chicora Commons, L.P. In 2016, the Authority directly purchased the remaining 99.99% ownership from the limited partner for \$1. Chicora Commons Limited Partnership (Chicora Commons) meets the criteria to be reported as a blended component unit, as it is wholly owned by the Authority or its component units.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Rolling Road

Rolling Road is a 50-unit, affordable housing site for limited-income individuals, age 55 or older located in Cranberry Township, Pennsylvania. Prior to September 2017, the Authority, through Butler Area Housing and Community Development Corporation, maintained a .01% ownership in Rolling Road Regency, L.P. In 2017, the Authority directly purchased the remaining 99.99% ownership from the limited partner for \$1. At that time, it was determined that Rolling Road Regency, L.P. (Rolling Road) had met the criteria to be reported as a blended component unit, as it is wholly owned by the Authority or its component units.

Butler County Home Ownership Corporation and Butler Area Housing and Community Development Corporation

The Butler County Home Ownership Corporation and Butler Area Housing and Community Development Corporation, both of which are non-profit organizations, are wholly owned by the Authority and meet the criteria for inclusion in the Authority's reporting entity as blended component units.

Butler Area Housing Rehabilitation, Inc.

The Butler Area Housing Rehabilitation, Inc. (BAHR), which is a non-profit organization, is wholly owned by the Authority and meets the criteria for inclusion in the Authority's reporting entity as a blended component unit. BAHR had immaterial balances and activity to report in 2023.

Historic Lafayette, Inc. and Regency Associates, LLC

In addition to the above component units, the Authority has also created two for-profit entities to participate in mixed-financing transactions, Historic Lafayette, Inc. and Regency Associates, LLC. These entities' sole purpose is to function as a general partner in each of the partnerships for Historic Lafayette Associates, L.P. and Rolling Road Regency, L.P., respectively. The Authority's interest in Historic Lafayette Associates, L.P. is immaterial to report, and is therefore not reported as a blended component unit of the Authority. Regency Associates, LLC's only activity is its investment in Rolling Road Regency, L.P. and as such, its activity is reported together with that entity as a blended component unit.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Basis of Accounting

The Authority is accounted for as a proprietary fund and is considered to be an Enterprise Fund and, as such, uses the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Enterprise Fund of the Authority is made up of the following programs:

Rental Assistance Demonstration (RAD) Program: Under the RAD Program, the Authority rents apartments that it owns to eligible households. The Authority subsidizes the family's rent through a Housing Assistance Payment. The subsidy enables the Public Housing Authority (PHA) to provide the housing at a rent that is based upon 30% of a participant's household income.

Housing Choice Voucher Program: Under the Housing Choice Voucher (HCV) Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The HCV Program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participant's rent at 30% of household income. In connection with the HCV Program, the Authority operates a Family Self-Sufficiency Program designed to move public housing residents from welfare dependency to work and self-sufficiency.

Mainstream Vouchers: Under the Mainstream Vouchers Program, the Authority provides tenant-based assistance to persons with disabilities.

Supportive Housing Program (Shelter Plus Care): A program designed to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing to homeless persons so they can live as independently as possible.

Business Activities: Business activities of the Authority consist of non-HUD funds used for local initiatives in housing and housing-related ventures, including homeownership activities and rental development. Business activities include the Franklin Court Apartments and the Terrace, Cliffside, President's Square, Maple Court, Graystone, and Family Site properties.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the Authority. Operating revenues consist of users' fees and governmental grants. Non-operating revenues and expenses consist of those revenues and expenses relating to capital items and interest expense.

Budgets

The Authority's activities are governed by budgets which are established by the Board of Commissioners (Board) and are reviewed by its grantor agencies, chiefly HUD.

Statement of Cash Flows

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Authority's accounts receivable consists primarily of amounts due from other entities managed by the Authority. The portion of accounts receivable not expected to be collected is offset by an allowance for doubtful accounts, estimated based on historical experience. As of December 31, 2023, the allowance for doubtful accounts related to the amounts owed from the Redevelopment Authority of the City of Butler. Accounts receivable – miscellaneous consists of the following at December 31, 2023:

Redevelopment Authority of the City of Butler	\$ 523,100
Historic Lafayette	295,711
Deshon Place	9,807
Redevelopment Authority of the County of Butler	18,255
Parker Heights	5,532
Housing Counseling	21,978
	<hr/>
	874,383
Less: allowance for doubtful accounts	(523,100)
	<hr/>
Total accounts receivable - miscellaneous, net	<u><u>\$ 351,283</u></u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Inventories and Prepaid Items

Inventories consist of housing stock parts and supplies and are carried at cost, using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed.

Capital Assets

All assets, which exceed the Authority's capitalization policy threshold of \$5,000, are recorded at cost and include improvements that extend the physical or economic life of the asset. Hard modernization costs, the purchase of capital assets, and the major construction or improvements to public housing property, are capitalized. Soft modernization costs, which do not extend the useful life of an asset, along with routine repair and maintenance costs, are charged to operations as incurred. Construction in progress consists of capital additions that have not been placed in service.

Depreciation is provided on a straight-line basis over the estimated useful lives of the individual assets concerned as follows:

Buildings	40 Years
Building Improvements	15 Years
Equipment	5 Years
Vehicles	5 Years

Unearned Revenue

The Authority's unearned revenue represents grants received but not yet expended for their eligible purpose at year-end.

Investments

Investments purchased by the Authority are carried at fair value and categorizes its fair value measurements within the fair value hierarchy as discussed in Note 3.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Derivatives and Hedging Activity

The Authority makes limited use of derivative financial instruments, specifically interest rate swaps, for the purpose of managing interest rate risks associated with its variability of future changes in interest rates. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the statement of net position at fair value. The Authority's interest rate swap is recorded at fair value as determined by a third party. This interest rate swap obligation is reflected on the statement of net position.

Deferred Inflows of Resources

In addition to assets and liabilities, the statement of net position reports a separate section for deferred inflows of resources. This represents a consumption of net position that applies to a future period and will not be recognized as an inflow of resources until then. The change in value of the Authority's interest rate swap qualifies for reporting in this category.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classifications of Net Position

The following are the three categories of net position:

- Net investment in capital assets – The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

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YEAR ENDED DECEMBER 31, 2023

is included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted – This component of net position consists of constraints placed on use of assets through external restrictions. The Authority's restricted net position is restricted for housing assistance payments within Housing Choice Vouchers Program and reserve for replacements restricted cash at Chicora Commons and Rolling Road.
- Unrestricted – This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Adopted Pronouncements

The following GASB Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the Authority's financial statements for the year ended December 31, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures), and 103 (Financial Reporting Model Improvements). Management has not yet determined the impact of these statements on the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

2. Cash and Cash Equivalents

Statutes allow the Authority to invest in direct obligations of the federal government backed by the full faith and credit of the United States of America, obligations of federal government agencies, securities of government-sponsored agencies, commercial paper, bankers' acceptances, and demand and savings deposits. The Authority's depositories are required by statute to continuously and fully secure all deposits in excess of the amounts insured under federal or state plans by the deposit or setting aside of collateral of the types, and in the manner as is prescribed by state law for the security of public funds. Such collateral shall at all times be of a market value at least equal to the amount of deposits so secured.

The following is a description of the Authority's deposit risks:

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal deposit policy for custodial credit risk.

As of December 31, 2023, \$750,000 of the Authority's \$9,087,371 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits had a carrying amount of \$8,920,918 as of December 31, 2023.

Restricted Cash

Cash was restricted at December 31, 2023 for the following purposes:

Reserve for replacements - Rolling Road	\$	205,401
Reserve for replacements - Chicora Commons		40,149
Housing Choice Voucher Program		125,346
Tenant security deposits		83,848
Payment of current liability		1,763
Total	\$	<u>456,507</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

3. Investments

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's investments have the following recurring fair value measurements at December 31, 2023:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed income:				
U.S. Treasury bills	\$ 197,491	\$ 197,491	\$ -	\$ -
Total fixed income	197,491	197,491	-	-
Cash and cash equivalents	407,428	407,428	-	-
Equities:				
Large growth	87,728	87,728	-	-
Large value	51,225	51,225	-	-
Foreign large growth	47,618	47,618	-	-
Small blend	27,136	27,136	-	-
ETF - Equity	235,740	235,740	-	-
Total equities	449,447	449,447	-	-
Total Investments by Fair Value Level	\$ 1,054,366	\$ 1,054,366	\$ -	\$ -

Treasury bills, money markets and equities are valued using prices quoted in active markets for those securities (Level 1 inputs).

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the Authority's investments. The Authority's investment policy limits investment maturity as a means of managing its exposure to fair value losses

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

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YEAR ENDED DECEMBER 31, 2023

arising from increasing interest rates. Investment maturity may not exceed a maximum of 10 years and most maturities will occur within 5 years of purchase.

Custodial Credit Risk – For an investment, custodial credit 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 does not have a formal investment policy for custodial credit risk.

4. Capital Assets and Assets Held for Sale

A summary of changes in capital assets during 2023 for the Authority is as follows:

	January 1, 2023	Increases/ Transfers	Decreases/ Transfers	December 31, 2023
Capital assets, not being depreciated:				
Land	\$ 1,174,247	\$ -	\$ -	\$ 1,174,247
Construction in progress	-	312,911	-	312,911
Total capital assets, not being depreciated	1,174,247	312,911	-	1,487,158
Capital assets, being depreciated:				
Buildings	42,685,354	548,936		43,234,290
Furniture, equipment, and machinery - dwellings	891,125	-	-	891,125
Furniture, equipment, and machinery - administration	932,304	89,638	(66,529)	955,413
Total capital assets, being depreciated	44,508,783	638,574	(66,529)	45,080,828
Less: accumulated depreciation	(29,650,674)	(1,015,043)	66,528	(30,599,189)
Total capital assets being depreciated, net	14,858,109	(376,469)	(1)	14,481,639
Total capital assets	<u>\$ 16,032,356</u>	<u>\$ (63,558)</u>	<u>\$ (1)</u>	<u>\$ 15,968,797</u>

The following schedule summarizes the assets held for sale at December 31, 2023:

526-528 Virginia Avenue	\$ 19,354
524 Virginia Avenue	<u>3,646</u>
Total	<u>\$ 23,000</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

5. Long-Term Liabilities

Notes Payable - PHFA

In October 2008, the Authority issued a non-interest-bearing note payable with the Pennsylvania Housing Finance Agency (PHFA) in the amount of \$807,638 for the development of the Deshon Place II Project. The note is due in October 2038 and principal payments shall be made from any excess revenue generated by the project during the year, of which there was none during the current year. The note is collateralized by the housing complex. The balance outstanding as of December 31, 2023 was \$807,638.

Chicora Commons has a note payable to PHFA in the amount of \$805,031 with an interest rate of 0%. The note is due in May 2029 and principal payments shall be made from any excess revenue generated by the project during the year. The note is collateralized by a mortgage, a regulatory agreement, and a security agreement on the property. The balance outstanding as of December 31, 2023 was \$660,375.

Rolling Road has a note payable to PHFA in the amount of \$1,577,612 with an interest rate of 0%. The note is due in 2033 and principal payments shall be made from excess revenue generated by the project during the year. The note is collateralized by a regulatory agreement and a security agreement on the Project. The balance outstanding as of December 31, 2023 was \$730,670.

Note Payable – Northwest Bank

In July 2012, the Authority issued a promissory note in the amount of \$480,900 for the purchase of the business condominium property located adjacent to the Authority's main business location and the loan is collateralized by the property. Principal and interest payments are due monthly through maturity in July 2027 and bear interest at a variable rate, which was 4.50% at December 31, 2023. The outstanding balance at December 31, 2023 was \$252,414.

Notes Payable – TriState Capital

In November 2016, the Authority issued a term note in the amount of \$2,244,000 to refinance the Authority's line of credit and general obligation note and is collateralized by real property. Monthly principal and interest payments began January 1, 2017 through

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

maturity of December 2032. The note will bear interest at a fixed rate of 3.69% for the first five years, 3.09% for the second five years, and then for the following five years at a fixed rate equal to the monthly average yield of U.S. Treasury Securities. The outstanding balance at December 31, 2023 was \$1,844,640.

In April 2021, the Authority issued a term note for \$6,000,000 to pay off the PHFA capital fund bond debt of approximately \$736,000, the First Security Bank energy performance contract capital lease of \$432,300 and issue additional debt of \$4,831,700; \$4,750,500 of which was deposited into an interest-bearing account at TriState Capital Bank to be used for replacement reserves and the remaining \$81,200 to pay loan origination expenses. In conjunction with that, the Authority entered into an interest rate swap agreement with TriState Capital (counterparty) as of December 30, 2020, as further described in Note 5. Principal and interest payments are due monthly through maturity of March 2038. The balance outstanding as of December 31, 2023 was \$5,583,360.

Notes Payable – County of Butler

Chicora Commons has a note payable to the County of Butler, Pennsylvania in the amount of \$250,000 with an interest rate of 0%. Payments on the loan are due and payable in full in May 2029. The note is collateralized by a mortgage and security agreement on the property. The balance outstanding as of December 31, 2023 was \$250,000.

Rolling Road has a note payable to the County of Butler, Pennsylvania in the amount of \$350,000 with an interest rate of 0%. Payments on the loan are due and payable in full in 2033. The note is collateralized by a security agreement on the project. The balance outstanding as of December 31, 2023 was \$350,000.

Note Payable – Cranberry Township

Rolling Road has a note payable to Cranberry Township, Pennsylvania in the amount of \$112,800 with an interest rate of 0%. The note is due in full in November 2034 and is collateralized by a loan and security agreement on the project. The balance outstanding as of December 31, 2023 was \$112,800.

All of the Authority's outstanding debt contains a provision that in an event of default, outstanding amounts become due immediately.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

A summary of future payments on the Authority's above-described long-term liabilities is as follows:

Year Ending December 31,	Direct Borrowings - Term Loans		Total
	Principal	Interest	
2024	\$ 246,041	\$ 259,215	\$ 505,256
2025	255,195	249,730	504,925
2026	264,282	240,642	504,924
2027	420,393	227,693	648,086
2028	253,676	215,992	469,668
2029-2033	4,612,829	901,204	5,514,033
2034-2038	4,539,481	457,373	4,996,854
	<u>\$ 10,591,897</u>	<u>\$ 2,551,849</u>	<u>\$ 13,143,746</u>

Due to County Redevelopment Authority

In 2017, the Authority terminated their employees, who were then hired by the Redevelopment Authority of the County of Butler (County Redevelopment Authority) at the same positions and salaries and benefits. The Authority contracts with the County Redevelopment Authority for services needed related to administration and maintenance and operations. Responsibility of the employees and related salaries and benefits is that of the County Redevelopment Authority. As a result of this transfer, the Authority agreed to assume the accumulated employee obligations relating to accrued post-employment benefits and accrued compensated absences for these employees at the time of termination. The liabilities outstanding as of December 31, 2023 were \$282,659. In 2018, the Authority entered into a loan agreement with the County Redevelopment Authority for the repayment of the balance in equal annual installments from 2018 through 2032. The amount due to the County Redevelopment Authority is recorded in noncurrent liabilities – other and other current liabilities on the statement of net position.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

A summary of future payments is as follows:

Year Ending December 31,	Principal
2024	\$ 31,407
2025	31,407
2026	31,407
2027	31,407
2028	31,407
2029-2032	125,624
	\$ 282,659

Changes in Long-Term Liabilities

The following summarizes the changes in the Authority's long-term liabilities during the year ended December 31, 2023:

	Balance at January 1, 2023	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Direct borrowings:					
Notes payable - PHFA	\$ 2,232,033	\$ -	\$ (33,350)	\$ 2,198,683	\$ -
Note payable - Northwest Bank	275,874	-	(23,460)	252,414	24,521
Notes payable - TriState Capital	1,898,040	-	(53,400)	1,844,640	54,840
Note payable - TriState Capital	5,743,681	-	(160,321)	5,583,360	166,680
Note payable - County of Butler	600,000	-	-	600,000	-
Note payable - Cranberry Township	112,800	-	-	112,800	-
Total Direct Borrowings:	10,862,428	-	(270,531)	10,591,897	246,041
Total long-term debt	10,862,428	-	(270,531)	10,591,897	246,041
Noncurrent liabilities - other	243,772	-	(15,236)	228,536	-
County Redevelopment Authority	314,065	-	(31,406)	282,659	31,407
Total other noncurrent liabilities	557,837	-	(46,642)	511,195	31,407
Total long-term liabilities	\$ 11,420,265	\$ -	\$ (317,173)	\$ 11,103,092	\$ 277,448

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Swap

The Authority entered into an interest rate swap agreement with TriState Capital (counterparty) as of December 30, 2020. The term of the swap agreement is effective from April 30, 2021 through April 30, 2038. The agreement provides for the Authority to pay a fixed rate of interest of 3.42% applied to the notional amount of the swap to the counterparty to the agreement and to receive a variable rate of one-month LIBOR plus 2% applied to the notional amount of the swap from the counterparty over the term of the agreement. The notional amount will continue to adjust to be equal to the outstanding debt balance on the TriState Note issued in 2021 and described further in Note 5.

Fair Value of Embedded Derivative Instruments

The mark to market value is calculated using a combination of the present value of the potential net cash flows between two parties, calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation, and an option pricing model.

Below are the changes in fair value of the swaps during the year:

Swap	Effective Hedge	December 31, 2022 Fair Value	Current year value change	December 31, 2023 Fair Value
2021 swap	Yes	\$ 1,406,105	\$ (170,982)	\$ 1,235,123

The 2021 swap is considered an effective hedge; the aggregate change in fair market value during the year is reported as a change to deferred inflows of resources on the statement of net position, with no impact to the current year statement of revenues, expenses, and changes in net position.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority has the recurring fair value measurement as of December 31, 2023 for the swap values noted above. The swaps are valued using significant other observable inputs (Level 2 inputs).

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Swap Borrowings

In order to establish the derivative instrument, the Authority effectively received a loan from the counterparty in the amount of \$274,243, which represents swap fees incurred at the outset of the agreement, but not paid in cash by the Authority. As of December 31, 2023, these borrowings had outstanding balances as detailed below:

Loan	Estimated borrowing rate	Balance of swap borrowing December 31, 2022	Additions	Amortization	Balance of swap borrowing December 31, 2023
2021 swap	3.42%	\$ 243,772	\$ -	\$ (15,236)	\$ 228,536

The swap loan will be amortized over the same period as the swap agreement and is included within other noncurrent liabilities on the statement of net position at December 31, 2023.

Risks

Through the use of derivative instruments such as swaps, the Authority is exposed to a variety of risks, including credit risk, interest rate risk, basis risk, and termination risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. As of December 31, 2023, the 2021 swap had a positive fair market value to the Authority and, as such, the Authority had credit risk exposure related to this transaction. In the event that the counterparty's rating is downgraded to a certain level (and based on the fair value of the swap at the time of the downgrade) the counterparty would be required to post collateral to support its obligations under the swap. The counterparty had a credit rating of A as of December 31, 2023.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Authority's financial instruments or the Authority's cash flows.
- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. The Authority is subject to basis risk if the interest index on the variable rate arm of the swap is based on 10 years USD-ISDA Swap Rate and the variable interest rate on the note is based on a different index, such as a tax-exempt index

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

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like the Securities Industry and Financial Markets Association (SIFMA). Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect the Authority's calculated payments, and, as a result, cost savings or synthetic interest rates may not be realized.

- Termination risk is the risk that a derivative's unscheduled end will affect the Authority's asset/liability strategy or will present the Authority with potentially significant unscheduled termination payments to the counterparty.

7. Related Party

The Board and Chief Executive Officer of the Authority serve in the same capacity for the County Redevelopment Authority. The County Redevelopment Authority is indebted to the Authority for \$18,255 for advanced operating costs related to Homeownership and the Authority is indebted to the County Redevelopment Authority \$189,383 for costs relating to the Rental Assistance Demonstration program and \$282,659 for costs related to the transfer of employees from the Authority during 2017, as described in Note 5. In addition, in 2023, the County Redevelopment Authority paid the Authority \$23,005 for management and administrative services provided, and the Authority paid the County Redevelopment Authority \$3,336,602 for contracted administrative and maintenance staff services provided.

8. Risk Management

The Authority faces exposure to various forms of risk of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, as well as medical benefits provided to employees. It carries commercial insurance coverage for risks to the extent deemed prudent by the Authority's management. Settled claims relating to the commercial insurance have not exceeded the insurance coverage in the past three years. There has been no significant reduction in insurance coverage from the coverage in the prior year.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

9. Commitments and Contingencies

The Authority is economically dependent on receiving operating subsidies and grant funding from HUD. The Authority's ability to maintain or improve operations would be severely impacted by a material reduction in HUD funds. Reductions in operating subsidies could occur in 2024, but any such reductions are not currently expected to have a material adverse impact to the Authority.

The Authority's grant programs are subject to review by the funding sources. Such reviews could result in amounts that may require repayment upon final settlement.

The operations of the Authority are subject to the administrative directives, rules, and regulations of HUD that are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost to comply with a change.

10. Blended Component Unit Combining Financial Statements

Condensed combining information for the Authority's blended component units are as follows:

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

CONDENSED STATEMENT OF NET POSITION

	Homeownership	Butler Area Housing & Community Development	Chicora Commons	Rolling Road	Total Component Units
<u>2023</u>					
<u>Assets:</u>					
Total current assets	\$ 96,596	\$ 500	\$ 102,922	\$ 615,462	\$ 815,480
Total capital assets, net of accumulated depreciation	-	-	1,088,883	3,096,430	4,185,313
Total Assets	<u>\$ 96,596</u>	<u>\$ 500</u>	<u>\$ 1,191,805</u>	<u>\$ 3,711,892</u>	<u>\$ 5,000,793</u>
<u>Liabilities:</u>					
Total current liabilities	\$ 55,053	\$ 500	\$ 11,523	\$ 33,632	\$ 100,708
Total non-current liabilities	-	-	910,375	1,193,470	2,103,845
Total Liabilities	<u>55,053</u>	<u>500</u>	<u>921,898</u>	<u>1,227,102</u>	<u>2,204,553</u>
<u>Equity/Net Position:</u>					
Net investment in capital assets	-	-	178,508	1,902,960	2,081,468
Restricted net position	-	-	40,149	205,401	245,550
Unrestricted net position	<u>41,543</u>	<u>-</u>	<u>51,250</u>	<u>376,429</u>	<u>469,222</u>
Total Equity/Net Position	<u>41,543</u>	<u>-</u>	<u>269,907</u>	<u>2,484,790</u>	<u>2,796,240</u>
Total Liabilities and Equity/ Net Position	<u>\$ 96,596</u>	<u>\$ 500</u>	<u>\$ 1,191,805</u>	<u>\$ 3,711,892</u>	<u>\$ 5,000,793</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Homeownership	Butler Area Housing & Community Development	Chicora Commons	Rolling Road	Total Component Units
<u>2023</u>					
<u>Operating revenue:</u>					
Net tenant revenue	\$ -	\$ -	\$ 226,567	\$ 668,459	\$ 895,026
Other government grants	97,637	-	-	-	97,637
Investment income - unrestricted	-	-	-	20	20
Other revenue	209,894	-	2,616	4,969	217,479
Investment income - restricted	-	-	1,304	7,615	8,919
Total operating revenue	307,531	-	230,487	681,063	1,219,081
<u>Operating expenses:</u>					
Other operating expenses	312,014	-	182,760	349,554	844,328
Total operating expenses	312,014	-	182,760	349,554	844,328
Operating income (loss)	(4,483)	-	47,727	331,509	374,753
<u>Non-operating revenue (expenses):</u>					
Depreciation expense	-	-	(65,411)	(152,168)	(217,579)
Total non-operating revenue (expenses)	-	-	(65,411)	(152,168)	(217,579)
Capital distribution (contribution)	-	-	-	33,350	33,350
Total Changes in Net Position	(4,483)	-	(17,684)	145,991	123,824
Beginning Net Position	46,026	-	287,591	2,338,799	2,672,416
Ending Net Position	<u>\$ 41,543</u>	<u>\$ -</u>	<u>\$ 269,907</u>	<u>\$ 2,484,790</u>	<u>\$ 2,796,240</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

CONDENSED STATEMENT OF CASH FLOW

	Homeownership	Butler Area Housing & Community Development	Chicora Commons	Rolling Road	Total Component Units
<u>2023</u>					
Net cash provided by (used in) operating activities	\$ (29,559)	\$ -	\$ 43,870	\$ 321,404	\$ 335,715
Net cash provided by (used in) capital and related financing activities	-	-	-	(66,700)	(66,700)
Net cash provided by (used in) investing activities	-	-	-	(37,396)	(37,396)
Net increase (decrease) in cash and cash equivalents	(29,559)	-	43,870	217,308	231,619
Beginning of year cash and cash equivalents	62,922	500	33,681	358,177	455,280
End of year cash and cash equivalents	<u>\$ 33,363</u>	<u>\$ 500</u>	<u>\$ 77,551</u>	<u>\$ 575,485</u>	<u>\$ 686,899</u>

SUPPLEMENTARY INFORMATION

**ENTITY-WIDE FINANCIAL
DATA SCHEDULE**

2023															
Line Item No.	Description	Section 8 Housing Choice Voucher	14.879 Mainstream Voucher Program	14.870 Resident Opportunity and Supportive Services	Supportive Housing Program	Deshon Place II	State/Local	Business Activities	Central Office Cost Center	10.433 Rural Housing Preservation Grants	14.169 Housing Counseling Assistance Program	Component Units	Subtotal	Elimination	Total
111	Cash - unrestricted	900,896	-	-	4,919	-	332,714	6,804,591	2,440	-	-	418,851	8,464,411	-	8,464,411
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Cash - other restricted	125,346	-	-	-	-	-	-	-	-	-	245,550	370,896	-	370,896
114	Cash - tenant security deposits	-	-	-	-	495	500	60,355	-	-	-	22,498	83,848	-	83,848
115	Cash - restricted for payment of current liability	1,763	-	-	-	-	-	-	-	-	-	-	1,763	-	1,763
100	Total Cash	1,028,005	-	-	4,919	495	333,214	6,864,946	2,440	-	-	686,899	8,920,918	-	8,920,918
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	6,602	-	-	-	-	-	8,900	-	-	-	-	15,502	-	15,502
124	Accounts receivable - other government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	9,807	-	818,811	-	5,532	-	-	40,233	874,383	-	874,383
126	Accounts receivable - tenants	-	-	-	488	352	532	74,280	-	-	-	2,037	77,689	-	77,689
126.1	Allowance for doubtful accounts - tenants	-	-	-	(49)	(35)	-	(7,428)	-	-	-	-	(7,512)	-	(7,512)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	(523,100)	-	-	-	-	-	(523,100)	-	(523,100)
127	Notes, loans, & mortgages receivable - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	6,602	-	-	10,246	317	296,243	75,752	5,532	-	-	42,270	436,962	-	436,962
131	Investments - unrestricted	-	-	-	-	-	1,054,366	1,235,123	-	-	-	-	2,289,489	-	2,289,489
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	-	-	-	-	-	16,249	207,076	-	-	63,311	286,636	-	286,636
143	Inventories	-	-	-	-	-	-	-	43,466	-	-	-	43,466	-	43,466
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Inter-program - due from	-	-	-	-	150,197	194,950	4,650,995	-	-	-	-	4,996,142	(4,996,142)	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	23,000	23,000	-	23,000
150	Total Current Assets	1,034,607	-	-	15,165	151,009	1,878,773	12,843,065	258,514	-	-	815,480	16,996,613	(4,996,142)	12,000,471
161	Land	-	-	-	-	-	6,942	738,490	-	-	-	428,815	1,174,247	-	1,174,247
162	Buildings	-	-	-	470,853	1,500,647	740,898	31,324,788	1,365,099	-	-	7,832,005	43,234,290	-	43,234,290
163	Furniture, equipment and machinery - dwellings	-	-	-	19,858	-	-	577,093	-	-	-	294,174	891,125	-	891,125
164	Furniture, equipment and machinery - administration	47,739	-	-	-	-	-	195,490	581,324	-	-	130,860	955,413	-	955,413
165	Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(38,493)	-	-	(425,239)	(375,162)	(297,750)	(23,495,431)	(1,466,573)	-	-	(4,500,541)	(30,599,189)	-	(30,599,189)
167	Construction in progress	-	-	-	-	-	-	312,911	-	-	-	-	312,911	-	312,911
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	9,246	-	-	65,472	1,125,485	450,090	9,653,341	479,850	-	-	4,185,313	15,968,797	-	15,968,797
171	Notes, Loans, & Mortgages Receivable – non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172	Notes, Loans, & Mortgages Receivable – non-current - past due	-	-	-	-	-	-	-	-	-	-	-	-	-	-
173	Grants receivable – non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176	Investment in Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Total Non-Current Assets	9,246	-	-	65,472	1,125,485	450,090	9,653,341	479,850	-	-	4,185,313	15,968,797	-	15,968,797
190	Total Assets	1,043,853	-	-	80,637	1,276,494	2,328,863	22,496,406	738,364	-	-	5,000,793	32,965,410	(4,996,142)	27,969,268

2023															
Line Item No.	Description	Section 8 Housing Choice Voucher	14.879 Mainstream Voucher Program	14.870 Resident Opportunity and Supportive Services	Supportive Housing Program	Deshon Place II	State/Local	Business Activities	Central Office Cost Center	10.433 Rural Housing Preservation Grants	14.169 Housing Counseling Assistance Program	Component Units	Subtotal	Elimination	Total
311	Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312	Accounts payable <= 90 days	22,426	-	-	3,906	-	200	142,011	32,812	-	-	11,923	213,278	-	213,278
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
322	Accrued compensated absences - current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	4,908	-	-	-	-	4,908	-	4,908
331	Accounts payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	677	135,748	-	-	-	-	-	136,425	-	136,425
341	Tenant security deposits	-	-	-	-	495	500	60,355	-	-	-	22,498	83,848	-	83,848
342	Unearned Revenue	-	-	-	1,627	385	-	39,264	-	-	-	43,534	84,810	-	84,810
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	24,521	221,520	-	-	-	-	246,041	-	246,041
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	1,763	-	-	5,172	-	7,006	-	31,407	-	-	17,679	63,027	-	63,027
346	Accrued liabilities - other	81,120	-	-	-	-	-	189,383	-	-	-	5,074	275,577	-	275,577
347	Inter-program - due to	30,419	-	-	275,974	194,950	2,271	4,417,936	74,592	-	-	-	4,996,142	(4,996,142)	-
348	Loan liability - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	135,728	-	-	286,679	195,830	35,175	5,211,125	138,811	-	-	100,708	6,104,056	(4,996,142)	1,107,914
351	Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	227,893	7,206,480	-	-	-	1,753,845	9,188,218	-	9,188,218
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	228,536	251,252	-	-	-	479,788	-	479,788
354	Accrued compensated absences - non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355	Loan Liability - Non-current	-	-	-	-	807,638	-	-	-	-	-	350,000	1,157,638	-	1,157,638
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
357	Accrued pension and OPEB liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350	Total Non-Current Liabilities	-	-	-	-	807,638	227,893	7,435,016	251,252	-	-	2,103,845	10,825,644	-	10,825,644
300	Total Liabilities	135,728	-	-	286,679	1,003,468	263,068	12,646,141	390,063	-	-	2,204,553	16,929,700	(4,996,142)	11,933,558
400	Deferred Inflows of Resources	-	-	-	-	-	-	1,235,123	-	-	-	-	1,235,123	-	1,235,123
508.1	Net Investment in Capital Assets	9,246	-	-	65,472	317,847	197,676	2,225,341	479,850	-	-	2,081,468	5,376,900	-	5,376,900
511.1	Restricted Net Position	44,675	-	-	-	-	-	-	-	-	-	245,550	290,225	-	290,225
512.1	Unrestricted Net Position	854,204	-	-	(271,514)	(44,821)	1,868,119	6,389,801	(131,549)	-	-	469,222	9,133,462	-	9,133,462
513	Total Equity - Net Position	908,125	-	-	(206,042)	273,026	2,065,795	8,615,142	348,301	-	-	2,796,240	14,800,587	-	14,800,587
600	Total Liabilities and Equity/Net Position	1,043,853	-	-	80,637	1,276,494	2,328,863	22,496,406	738,364	-	-	5,000,793	32,965,410	(4,996,142)	27,969,268

2023						
Line Item No.	Description	Section 8 Housing Choice Voucher	Mainstream Voucher Program	14.870 Resident Opportunity and Supportive Services	Supportive Housing Program	Deshon Place II
70300	Net tenant rental revenue	-	-	-	33,333	63,005
70400	Tenant revenue - other	-	-	-	-	-
70500	Total Tenant Revenue	-	-	-	33,333	63,005
70600-010	Housing assistance payments	9,589,890	587,350	-	-	-
70600-020	Ongoing administrative fees earned	1,527,496	55,406	79,169	-	-
70600	HUD PHA operating grants	11,117,386	642,756	79,169	-	-
70610	Capital grants	-	-	-	-	-
70710	Management fee	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-
70730	Bookkeeping fee	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-
70750	Other fees	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-
70800	Other government grants	-	-	-	9,807	-
71100	Investment income - unrestricted	-	-	-	-	-
71200	Mortgage interest income	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-
71400	Fraud recovery	10,148	-	-	-	-
71500	Other revenue	22,279	-	-	1,742	1,510
71600	Gain or loss on sale of capital assets	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-
70000	Total Revenue	11,149,813	642,756	79,169	44,882	64,515
91100	Administrative salaries	-	-	79,169	-	-
91200	Auditing fees	5,022	-	-	335	335
91300	Management fee	246,420	9,204	-	-	-
91310	Book-keeping Fee	154,013	5,752	-	-	-
91400	Advertising and marketing	-	-	-	-	-
91500	Employee benefit contributions - administrative	-	-	-	-	-
91600	Office expenses	58,336	-	-	348	348
91700	Legal expense	39,970	-	-	7,844	2,680
91800	Travel	8,916	-	-	64	62
91810	Allocated Overhead	-	-	-	-	-
91900	Other	708,793	67,941	-	5,299	5,289
91000	Total Operating-Administrative	1,221,470	82,897	79,169	13,890	8,714
92000	Asset Management Fee	-	-	-	-	-
92100	Tenant services - salaries	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-
92400	Tenant services - other	-	-	-	21,827	21,528
92500	Total Tenant Services	-	-	-	21,827	21,528
93100	Water	957	-	-	1,590	1,757
93200	Electricity	3,262	-	-	7,558	8,354
93300	Gas	2,779	-	-	6,534	7,222
93400	Fuel	-	-	-	-	-
93500	Labor	-	-	-	-	-
93600	Sewer	524	-	-	5,235	5,235
93700	Employee benefit contributions - utilities	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-
93000	Total Utilities	7,522	-	-	20,917	22,568
94100	Ordinary maintenance and operations - labor	-	-	-	-	-
94200	Ordinary maintenance and operations - materials and other	168	-	-	4,829	1,872
94300	Ordinary Maintenance and Operations Contracts	12,670	-	-	37,544	13,058
94500	Employee benefit contribution - ordinary maintenance	-	-	-	-	-
94000	Total Maintenance and Operations	12,838	-	-	42,373	14,930
95100	Protective services - labor	-	-	-	-	-
95200	Protective services - other contract costs	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-
95000	Total Protective Services	-	-	-	-	-
96110	Property insurance	-	-	-	-	-
96120	Liability insurance	12,523	-	-	698	698
96130	Workmen's compensation	15,817	-	-	-	-
96140	All other insurance	8,463	-	-	2,867	2,869
96100	Total Insurance Premiums	36,803	-	-	3,565	3,567

2023						
Line Item No.	Description	Section 8 Housing Choice Voucher	Mainstream Voucher Program	14.870 Resident Opportunity and Supportive Services	Supportive Housing Program	Deshon Place II
96200	Other general expenses	-	-	-	-	-
96210	Compensated absences	-	-	-	-	-
96300	Payments in lieu of taxes	-	-	-	-	-
96400	Bad debt - tenant rents	-	-	-	285	2,998
96500	Bad debt - mortgages	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-
96800	Severance expense	-	-	-	-	-
96000	Total Other General Expenses	-	-	-	285	2,998
96710	Interest of mortgage (or bonds) payable	-	-	-	-	-
96720	Interest on notes payable (short and long term)	-	-	-	-	-
96730	Amortization of bond issue costs	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-
96900	Total Operating Expenses	1,278,633	82,897	79,169	102,857	74,305
97000	Excess Revenue Over Operating Expenses	9,871,180	559,859	-	(57,975)	(9,790)
97100	Extraordinary maintenance	-	-	-	1,857	-
97200	Casualty losses - non-capitalized	-	-	-	-	-
97300	Housing assistance payments	10,571,917	559,859	-	-	-
97350	HAP Portability-In	17,945	-	-	-	-
97400	Depreciation expense	6,169	-	-	1,752	37,516
97500	Fraud losses	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-
90000	Total Expenses	11,874,664	642,756	79,169	106,466	111,821
10010	Operating transfer in	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-
10093	Transfers between Program and Project - In	-	-	-	-	-
10094	Transfers between Program and Project - Out	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	(724,851)	-	-	(61,584)	(47,306)
11020	Required Annual Debt Principal Payments	-	-	-	-	-
11030	Beginning equity	1,632,976	-	-	(144,458)	320,332
11040	Prior Period Adjustments, Equity Transfers, and Correction of Errors	-	-	-	-	-
11170-001	Administrative Fee Equity - Beginning Balance	611,348				
11170-010	Administrative Fee Revenue	1,527,496				
11170-020	Hard to House Fee Revenue	-				
11170-021	FSS Coordinator Grant	-				
11170-030	Audit Costs	-				
11170-040	Investment Income	-				
11170-045	Fraud Recovery Revenue	5,074				
11170-050	Other Revenue	22,279				
11170-051	Comment for Other Revenue	-				
11170-060	Total Admin Fee Revenues	1,554,849				
11170-080	Total Operating Expenses	1,278,633				
11170-090	Depreciation	6,169				
11170-095	HAP port in	17,945				
11170-100	Other Expenses	-				
11170-101	Comment for Other Expense	-				
11170-110	Total Expenses	1,302,747				
11170-002	Net Administrative Fee	252,102				
11170-003	Administrative Fee Equity - Ending Balance	863,450				
11170	Administrative Fee Equity	863,450				
11180-001	Housing Assistance Payments Equity - Beginning Balance	1,021,628				
11180-010	Housing Assistance Payments Revenue	9,589,890				
11180-015	Fraud Recovery Revenue	5,074				
11180-020	Other revenue	-				
11180-021	Comment for other revenue	-				
11180-025	Investment Income	-				
11180-030	Total HAP revenues	9,594,964				
11180-080	Housing Assistance Payments	10,571,917				
11180-090	Other expense	-				
11180-091	Comment for other expense	-				
11180-100	Total Housing Assistance Payments Expense	10,571,917				
11180-002	Net Housing Assistance Payments	(976,953)				
11180-003	Housing Assistance Payment Equity - Ending Balance	44,675				
11180	Housing Assistance Payments Equity	44,675				
11190	Unit Months Available	22,812	1,476	-	120	120
11210	Unit Months Leased	20,535	767	-	62	101
11270	Excess Cash					
11610	Land Purchases	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-

2023							
Line Item No.	Description	State/Local	Business Activities	Central Office Cost Center	10.433 Rural Housing Preservation Grants	14.169 Housing Counseling Assistance Program	Component Units
70300	Net tenant rental revenue	7,974	4,376,653	-	-	-	895,026
70400	Tenant revenue - other	-	62,895	-	-	-	-
70500	Total Tenant Revenue	7,974	4,439,548	-	-	-	895,026
70600-010	Housing assistance payments	-	-	-	-	-	-
70600-020	Ongoing administrative fees earned	-	-	-	-	-	-
70600	HUD PHA operating grants	-	53,406	-	-	-	-
70610	Capital grants	-	-	-	-	-	-
70710	Management fee	-	-	740,152	-	-	-
70720	Asset management fee	-	-	49,340	-	-	-
70730	Bookkeeping fee	-	-	196,770	-	-	-
70740	Front line service fee	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	986,262	-	-	-
70800	Other government grants	-	-	98,192	27,394	23,374	97,637
71100	Investment income - unrestricted	60,770	173,411	-	-	-	20
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-
71500	Other revenue	80,083	68,480	86,384	-	-	217,479
71600	Gain or loss on sale of capital assets	-	-	21,222	-	-	-
72000	Investment income - restricted	-	-	-	-	-	8,919
70000	Total Revenue	148,827	4,734,845	1,192,060	27,394	23,374	1,219,081
91100	Administrative salaries	-	-	-	-	-	-
91200	Auditing fees	-	12,387	2,846	-	-	19,069
91300	Management fee	-	394,267	-	-	-	90,261
91310	Book-keeping Fee	-	37,005	-	-	-	-
91400	Advertising and marketing	-	217	1,792	-	-	-
91500	Employee benefit contributions - administrative	-	-	-	-	-	-
91600	Office expenses	-	16,906	14,283	-	-	10,826
91700	Legal expense	-	12,973	9,615	-	-	4,076
91800	Travel	-	2,538	5,115	-	-	2,752
91810	Allocated Overhead	-	-	-	-	-	-
91900	Other	17,765	424,227	916,761	-	-	299,642
91000	Total Operating-Administrative	17,765	900,520	950,412	-	-	426,626
92000	Asset Management Fee	-	49,340	-	-	-	-
92100	Tenant services - salaries	-	70,748	-	-	-	6,948
92200	Relocation costs	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-
92400	Tenant services - other	-	4,429	-	-	-	1,376
92500	Total Tenant Services	-	75,177	-	-	-	8,324
93100	Water	600	141,144	2,401	-	-	14,959
93200	Electricity	-	197,241	8,941	-	-	48,647
93300	Gas	-	189,882	3,932	-	-	7,450
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	605	213,732	653	-	-	29,164
93700	Employee benefit contributions - utilities	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-
93000	Total Utilities	1,205	741,999	15,927	-	-	100,220
94100	Ordinary maintenance and operations - labor	-	-	-	-	-	-
94200	Ordinary maintenance and operations - materials and other	397	148,041	4,474	-	-	13,389
94300	Ordinary Maintenance and Operations Contracts	816	1,272,491	67,850	-	-	164,026
94500	Employee benefit contribution - ordinary maintenance	-	-	-	-	-	-
94000	Total Maintenance and Operations	1,213	1,420,532	72,324	-	-	177,415
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services - other contract costs	-	46,982	1,473	-	-	14,976
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-	-
95000	Total Protective Services	-	46,982	1,473	-	-	14,976
96110	Property insurance	-	-	-	-	-	-
96120	Liability insurance	-	28,708	1,466	-	-	608
96130	Workmen's compensation	-	14,059	29,877	-	-	-
96140	All other insurance	182	160,591	12,436	-	-	43,731
96100	Total Insurance Premiums	182	203,358	43,779	-	-	44,339

2023							
Line Item No.	Description	State/Local	Business Activities	Central Office Cost Center	10.433 Rural Housing Preservation Grants	14.169 Housing Counseling Assistance Program	Component Units
96200	Other general expenses	6,404	-	98,192	27,394	23,374	20,266
96210	Compensated absences	-	-	-	-	-	-
96300	Payments in lieu of taxes	677	135,748	-	-	-	51,809
96400	Bad debt - tenant rents	-	53,020	-	-	-	353
96500	Bad debt - mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96000	Total Other General Expenses	7,081	188,768	98,192	27,394	23,374	72,428
96710	Interest of mortgage (or bonds) payable	12,099	239,954	-	-	-	-
96720	Interest on notes payable (short and long term)	-	-	-	-	-	-
96730	Amortization of bond issue costs	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	12,099	239,954	-	-	-	-
96900	Total Operating Expenses	39,545	3,866,630	1,182,107	27,394	23,374	844,328
97000	Excess Revenue Over Operating Expenses	109,282	868,215	9,953	-	-	374,753
97100	Extraordinary maintenance	-	46,210	-	-	-	-
97200	Casualty losses - non-capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	-	-	-
97350	HAP Portability-In	-	-	-	-	-	-
97400	Depreciation expense	26,232	686,235	39,560	-	-	217,579
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	Total Expenses	65,777	4,599,075	1,221,667	27,394	23,374	1,061,907
10010	Operating transfer in	500,000	-	-	-	-	-
10020	Operating transfer out	-	(500,000)	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
10093	Transfers between Program and Project - In	-	-	-	-	-	-
10094	Transfers between Program and Project - Out	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	500,000	(500,000)	-	-	-	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	583,050	(364,230)	(29,607)	-	-	157,174
11020	Required Annual Debt Principal Payments	24,521	221,520	-	-	-	-
11030	Beginning equity	1,449,395	8,979,372	377,908	-	-	2,672,416
11040	Prior Period Adjustments, Equity Transfers, and Correction of Errors	33,350	-	-	-	-	(33,350)
11170-001	Administrative Fee Equity - Beginning Balance						
11170-010	Administrative Fee Revenue						
11170-020	Hard to House Fee Revenue						
11170-021	FSS Coordinator Grant						
11170-030	Audit Costs						
11170-040	Investment Income						
11170-045	Fraud Recovery Revenue						
11170-050	Other Revenue						
11170-051	Comment for Other Revenue						
11170-060	Total Admin Fee Revenues						
11170-080	Total Operating Expenses						
11170-090	Depreciation						
11170-095	HAP port in						
11170-100	Other Expenses						
11170-101	Comment for Other Expense						
11170-110	Total Expenses						
11170-002	Net Administrative Fee						
11170-003	Administrative Fee Equity - Ending Balance						
11170	Administrative Fee Equity						
11180-001	Housing Assistance Payments Equity - Beginning Balance						
11180-010	Housing Assistance Payments Revenue						
11180-015	Fraud Recovery Revenue						
11180-020	Other revenue						
11180-021	Comment for other revenue						
11180-025	Investment Income						
11180-030	Total HAP revenues						
11180-080	Housing Assistance Payments						
11180-090	Other expense						
11180-091	Comment for other expense						
11180-100	Total Housing Assistance Payments Expense						
11180-002	Net Housing Assistance Payments						
11180-003	Housing Assistance Payment Equity - Ending Balance						
11180	Housing Assistance Payments Equity						
11190	Unit Months Available	12	5,976	-	-	-	924
11210	Unit Months Leased	12	5,472	-	-	-	901
11270	Excess Cash						
11610	Land Purchases	-	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	N/A	\$ -	\$ 11,868,495
Mainstream Vouchers	14.879	N/A	-	642,756
Housing Voucher Cluster Subtotal			-	12,511,251
Housing Counseling Assistance Program	14.169	N/A	-	23,374
Continuum of Care Program	14.267	N/A	-	53,406
Resident Opportunity and Supportive Services - Service Coordinators	14.870	N/A	-	79,169
Total U.S. Department of Housing and Urban Development			-	12,667,200
<u>U.S. Department of Agriculture:</u>				
Rural Housing Preservation Grants	10.433	N/A	-	27,394
Total Expenditures of Federal Awards			\$ -	\$ 12,694,594

See accompanying notes to schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Housing Authority of the County of Butler (Authority) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

2. Summary of Significant Accounting Policies

The accompanying Schedule is presented using the accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance. The Authority has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Housing Authority of the
County of Butler**

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended December 31, 2023

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

**Board of Commissioners
Housing Authority of the County of Butler**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the County of Butler (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 8, 2024. Our report includes a reference to other auditors who audited the financial statements of Rolling Road and Chicora Commons as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Report on Internal Control over Financial Reporting

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

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

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

Board of Commissioners
Housing Authority of the County of Butler
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
July 8, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Commissioners
Housing Authority of the County of Butler**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the County of Butler's (Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Board of Commissioners
Housing Authority of the County of Butler
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maher Duessel

Pittsburgh, Pennsylvania
July 8, 2024

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles.

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

ALN
14.871, 14.879

Name of Federal Program or Cluster
Housing Voucher Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

**HOUSING AUTHORITY OF THE
COUNTY OF BUTLER**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2023

NO FINDINGS IN PRIOR YEAR