

Housing Authority of the County of Butler

Single Audit

December 31, 2022

MaherDuessel

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HOUSING AUTHORITY OF THE COUNTY OF BUTLER

YEAR ENDED DECEMBER 31, 2022

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HOUSING AUTHORITY OF THE COUNTY OF BUTLER

YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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 the 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, 2022, 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 17 percent, 17 percent, and 4 percent, respectively, of the assets, net position, and revenues of the basic financial statements as of December 31, 2022, and the respective changes in net position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rolling Road and Chicora Commons, is based solely on the report 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 6, 2023 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 6, 2023

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, 2022. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

The Authority provided 452 units of low-rent 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 1,539 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 \$61,494 through the County Emergency Funds and to assist 20 homeowners make necessary home improvements at a total cost of \$77,889 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 increased from \$9.9 million in 2021 to \$12.4 million in 2022.
- Total non-current assets decreased from \$17.1 million in 2021 to \$16.3 million in 2022.
- Total current liabilities remained approximately the same at \$857,277 in 2021 and \$932,754 in 2022.
- Total non-current liabilities decreased from \$11.5 million in 2021 to \$11.2 million in 2022.
- The Authority had operating revenues of \$18,921,880 and operating expenses of \$16,676,808 for calendar year 2022.

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 2022 and 2021 is as follows:

	2022	2021	Increase (Decrease)
Current Assets	\$ 12,439,485	\$ 9,988,919	\$ 2,450,566
Non-Current Assets	16,338,542	17,073,972	(735,430)
Total Assets	28,778,027	27,062,891	1,715,136
Current Liabilities	932,754	857,277	75,477
Non-Current Liabilities	11,151,227	11,485,489	(334,262)
Total Liabilities	12,083,981	12,342,766	(258,785)
Deferred Inflows	1,406,105	310,536	1,095,569
Net Investment in Capital Assets	5,169,928	5,515,666	(345,738)
Restricted	1,255,154	293,158	961,996
Unrestricted	8,862,859	8,600,765	262,094
Total Net Position	\$ 15,287,941	\$ 14,409,589	\$ 878,352

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

Current Assets – The increase was mainly the result of an increase in cash and cash equivalents and the derivative investment – basis swap. All other current assets remained approximately the same.

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

Current Liabilities increased slightly due to an increase in accounts payable, accounts payable – other government, current portion of long-term debt, other current liabilities, and accrued liabilities – other that was partially offset by a decrease in deferred revenue.

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, 2022 and 2021

	2022	2021	Increase (Decrease)
Net Tenant Revenue	\$ 5,030,038	\$ 2,867,341	\$ 2,162,697
Grant Revenue	13,326,331	12,259,440	1,066,891
Other Government Grants	288,495	355,114	(66,619)
Other Revenue	277,016	340,179	(63,163)
Total Operating Revenues	18,921,880	15,822,074	3,099,806
Housing Assistance Payments	10,948,112	8,568,883	2,379,229
Administrative	2,497,057	2,478,267	18,790
Tenant Services	44,452	31,753	12,699
Utilities	992,581	871,881	120,700
Maintenance and Operations	1,425,916	1,353,811	72,105
Protective Services	56,513	51,876	4,637
Insurance Premiums	281,615	274,715	6,900
Other General Expenses	430,562	581,107	(150,545)
Total Operating Expenses	16,676,808	14,212,293	2,464,515
Operating Income	2,245,072	1,609,781	635,291
Non-Operating Revenues (Expenses)	(1,366,720)	(1,677,486)	310,766
Change in Net Position	\$ 878,352	\$ (67,705)	\$ 946,057

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 2022:

Housing Choice Voucher (HCV)	12,530,534
RAD Project Based Vouchers	3,924,626
Supportive Housing for Persons with Disabilities	708,423
Supportive Housing Program – Deshon Place I and II	153,050
Resident Opportunity and Supportive Services	79,169
Home Ownership (Net)	72,381
Housing Counseling Assistance Program	18,571
Rural Housing Preservation	89,573
Chicora Commons	202,082
Rolling Road	490,166
Central Office Cost Center (Net)	156,986
Franklin Court	484,557
State/Local - Other	<u>11,762</u>
Total Revenues	<u>\$ 18,921,880</u>

Total above revenues for calendar year 2022 represent an increase from year 2021 revenues of \$15,822,074 by \$3,099,806 or 19.6%. \$3,045,511 of the increase was due to increased funding of the Housing Choice Voucher (HCV) and RAD Project Based Voucher programs. There was also increased funding of \$64,088 for Supportive Housing for Persons with Disabilities, \$64,473 for the Supportive Housing Program – Deshon Place I and II, \$60,136 for Rolling Road and \$31,726 for Franklin Court. Additionally, there were smaller revenue increases in the Resident Opportunity and Supportive Services program, Home Ownership (Net), and Chicora Commons. These increases were partially offset by a decrease in funding of \$57,416 for the Rural Housing Preservation program, a \$141,291 decrease in Central Office Cost Center (Net) funding and smaller decreases in revenue for the Housing Counseling Assistance and State/Local – Other programs.

Analysis of Entity-Wide Expenditures

Total Operating Expenses for 2022 increased by \$2,464,515 or 17.3% as compared to calendar year 2021 expenses of \$14,212,293, mainly due to increased housing assistance payments. There were also increases in utilities, operations and maintenance expenses and smaller increases in administrative costs, tenant services, protective services and insurance premiums. These increases were offset by a decrease to other general expenses related to grant administration.

Housing Assistance Payments increased by \$2,379,229 or 27.8% during calendar year 2022 due to an entire year of funding for the RAD units.

Administrative Expenses remained consistent with an increase of \$18,790 or .8%.

Tenant Services costs remained consistent with an increase of \$12,699 from 2021.

Utilities costs increased by \$120,700 in 2022, mainly due to an increase in electric and gas expenses.

Maintenance and Operations costs for 2022 increased \$72,105 or 5.3% due to higher costs for contracted maintenance labor, garbage and trash removal, and snow removal. This was offset by decreases for materials costs, and heating & cooling and extermination contracted services.

Protective Services expenses remained consistent with an increase of \$4,637 from 2021 to 2022.

Insurance Premiums increased by \$6,900 in 2022, mainly due to increases in liability insurance premium rates.

Other General Expenses decreased by \$150,545 or 25.9% in 2022 mainly due to lower grant administration costs to administer the Rural Housing Preservation and Emergency grants.

Capital Assets and Debt Administration

CAPITAL ASSETS

At December 31, 2022, the Authority had \$16,032,356 invested in capital assets, including land, buildings, and furniture and equipment, net of depreciation. These amounts represent a net decrease of \$626,606, or approximately 3.8% from last year due to depreciation and asset dispositions exceeding capital additions. The Authority had \$483,136 in capital additions during the 2022 calendar year. The most significant capital asset additions for the Authority during the year were for an elevator at President Square, office renovations, as well as hot water tanks and HVAC units.

The following is a summary of capital assets at December 31, 2022 and 2021:

	2022	2021
Land	\$ 1,174,247	\$ 1,174,247
Buildings	42,685,354	42,246,908
Furniture, equipment, and machinery - dwellings	891,125	891,125
Furniture, equipment, and machinery - administrative	932,304	887,614
Accumulated depreciation	(29,650,674)	(28,540,932)
Total	<u>\$ 16,032,356</u>	<u>\$ 16,658,962</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, 2022

Assets	
Current assets:	
Cash and cash equivalents:	
Cash - unrestricted	\$ 9,241,171
Cash - other restricted	1,299,825
Cash - tenant security deposits	79,382
Cash - restricted for payment of current liability	3,727
Total cash and cash equivalents	10,624,105
Accounts receivable - miscellaneous, net of allowance for doubtful accounts	51,644
Accounts receivable - tenants, net of allowance for doubtful accounts	58,922
Prepaid expenses and other assets	232,998
Inventories	42,711
Assets held for sale	23,000
Derivative investment	1,406,105
Total current assets	12,439,485
Noncurrent assets:	
Accounts receivable - miscellaneous, net of allowance for doubtful accounts	306,186
Capital assets, non-depreciable	1,174,247
Capital assets, net of accumulated depreciation	14,858,109
Total noncurrent assets	16,338,542
Total Assets	\$ 28,778,027

(Continued)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF NET POSITION

DECEMBER 31, 2022

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 242,581
Accrued interest payable	5,050
Accounts payable - other government	114,136
Tenant security deposits	79,382
Unearned revenue	99,057
Current portion of long-term debt	237,631
Other current liabilities	61,317
Accrued liabilities - other	93,600
Total current liabilities	<u>932,754</u>
Noncurrent liabilities:	
Long-term debt, net of current portion	9,467,159
Noncurrent liabilities - other	526,430
Loan liability - noncurrent	1,157,638
Total noncurrent liabilities	<u>11,151,227</u>
Total Liabilities	<u>12,083,981</u>
Deferred Inflows of Resources:	
Accumulated increase in fair value of hedging derivative	<u>1,406,105</u>
Net Position:	
Net investment in capital assets	5,169,928
Restricted	1,255,154
Unrestricted	8,862,859
Total Net Position	<u>15,287,941</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 28,778,027</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, 2022

Operating Revenues:	
Net tenant revenue	\$ 5,030,038
HUD PHA operating grants	13,326,331
Other government grants	288,495
Other revenue	277,016
	<hr/>
Total operating revenues	18,921,880
Operating Expenses:	
Housing assistance payments	10,948,112
Administrative	2,497,057
Tenant services	44,452
Utilities	992,581
Maintenance and operations	1,425,916
Protective services	56,513
Insurance premiums	281,615
Other general expenses	430,562
	<hr/>
Total operating expenses	16,676,808
Operating Income (Loss)	<hr/> 2,245,072
Non-Operating Revenues (Expenses):	
Extraordinary maintenance	1,860
Interest expense	(258,838)
Depreciation expense	(1,109,742)
	<hr/>
Total non-operating revenues (expenses)	(1,366,720)
Change in Net Position	878,352
Net position - beginning	14,409,589
	<hr/>
Net position - ending	\$ 15,287,941
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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, 2022

Cash Flows From Operating Activities:

Operating grants received	\$ 13,620,914
Receipts from tenants	5,014,202
Other receipts	359,224
Housing assistance payments	(10,948,112)
Payments for goods and services	(5,708,732)
Net cash provided by (used in) operating activities	2,337,496

Cash Flows From Capital and Related Financing Activities:

Acquisition and construction of capital assets	(483,136)
Extraordinary maintenance	1,860
Interest paid on long-term debt	(258,838)
Principal payment on long-term debt	(280,868)
Net cash provided by (used in) capital and related financing activities	(1,020,982)

Net Increase (Decrease) in Cash and Cash Equivalents 1,316,514

Cash and Cash Equivalents:

Beginning of year	9,307,591
End of year	\$ 10,624,105

(Continued)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

(Continued)

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used in) Operating Activities:

Operating income (loss)	\$	2,245,072
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Accounts receivable		75,234
Prepaid expenses and other assets		(2,311)
Inventories		(2,582)
Derivative investment		1,095,569
Deferred inflow of resources		(1,095,569)
Accounts payable and other liabilities		7,321
Accrued interest payable		(138)
Tenant security deposits		2,686
Unearned revenue		(5,460)
Accrued liabilities - other		17,674
Total adjustments		92,424
Net cash provided by (used in) operating activities	\$	2,337,496

(Concluded)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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, 2022

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 2022.

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, 2022

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, 2022

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, 2022, 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, 2022:

Redevelopment Authority of the City of Butler	\$	523,100
Historic Lafayette		306,186
Deshon Place		31,722
Redevelopment Authority of the County of Butler		2,908
Parker Heights		3,481
Housing Counseling		13,533
		<hr/>
		880,930
Less: allowance for doubtful accounts		(523,100)
		<hr/>
Total accounts receivable - miscellaneous, net	\$	<u>357,830</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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.

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

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

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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 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.

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

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YEAR ENDED DECEMBER 31, 2022

- 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 requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the Authority’s 2022 financial statements: Statement Nos. 87 (Leases), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 97 (Deferred Compensation Plans), and 99 (Omnibus 2022 – paragraphs 26 through 32). These statements had no significant impact on the Authority’s financial statements for the year ended December 31, 2022.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

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.

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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, 2022, \$750,000 of the Authority's \$10,815,299 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 \$10,624,105 as of December 31, 2022.

Restricted Cash

Cash was restricted at December 31, 2022 for the following purposes:

Reserve for replacements - Rolling Road	\$	209,981
Reserve for replacements - Chicora Commons		23,545
Housing Choice Voucher Program		1,066,299
Tenant security deposits		79,382
Payment of current liability		3,727
Total	\$	<u>1,382,934</u>

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

3. Capital Assets and Assets Held for Sale

A summary of changes in capital assets during 2022 for the Authority is as follows:

	January 1, 2022	Increases/ Transfers	Decreases/ Transfers	December 31, 2022
Capital assets, not being depreciated:				
Land	\$ 1,174,247	\$ -	\$ -	\$ 1,174,247
Total capital assets, not being depreciated	<u>1,174,247</u>	<u>-</u>	<u>-</u>	<u>1,174,247</u>
Capital assets, being depreciated:				
Buildings	42,246,908	438,446	-	42,685,354
Furniture, equipment, and machinery - dwellings	891,125	-	-	891,125
Furniture, equipment, and machinery - administration	887,614	44,690	-	932,304
Total capital assets, being depreciated	44,025,647	483,136	-	44,508,783
Less: accumulated depreciation	<u>(28,540,932)</u>	<u>(1,109,742)</u>	<u>-</u>	<u>(29,650,674)</u>
Total capital assets being depreciated, net	<u>15,484,715</u>	<u>(626,606)</u>	<u>-</u>	<u>14,858,109</u>
Total capital assets	<u><u>\$ 16,658,962</u></u>	<u><u>\$ (626,606)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,032,356</u></u>

The following schedule summarizes the assets held for sale at December 31, 2022:

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

4. 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

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was none during the current year. The note is collateralized by the housing complex. The balance outstanding as of December 31, 2022 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, 2022 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, 2022 was \$764,020.

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, 2022. The outstanding balance at December 31, 2022 was \$275,874.

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 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, 2022 was \$1,898,040.

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

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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, 2022 was \$5,743,681.

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, 2022 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, 2022 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, 2022 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, 2022

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	
2023	\$ 237,631	\$ 206,201	\$ 443,832
2024	246,772	257,304	504,076
2025	255,756	247,991	503,747
2026	264,662	239,084	503,746
2027	417,844	227,466	645,310
2028-2032	3,552,158	984,088	4,536,246
2033-2037	2,448,750	564,692	3,013,442
2038	3,438,855	22,185	3,461,040
	<u>\$ 10,862,428</u>	<u>\$ 2,749,011</u>	<u>\$ 13,611,439</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, 2022 were \$314,065. 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

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YEAR ENDED DECEMBER 31, 2022

A summary of future payments is as follows:

Year Ending December 31,	Principal
2023	\$ 31,407
2024	31,407
2025	31,407
2026	31,407
2027	31,407
2028-2032	157,030
	<u>\$ 314,065</u>

Changes in Long-Term Liabilities

The following summarizes the changes in the Authority's long-term liabilities during the year ended December 31, 2022:

	Balance at January 1, 2022	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Direct borrowings:					
Notes payable - PHFA	\$ 2,283,183	\$ -	\$ (51,150)	\$ 2,232,033	\$ -
Note payable - Northwest Bank	298,672	-	(22,798)	275,874	23,460
Notes payable - TriState Capital	1,949,760	-	(51,720)	1,898,040	53,400
Note payable - TriState Capital	5,898,881	-	(155,200)	5,743,681	160,771
Note payable - County of Butler	600,000	-	-	600,000	-
Note payable - Cranberry Township	112,800	-	-	112,800	-
Total Direct Borrowings:	<u>11,143,296</u>	<u>-</u>	<u>(280,868)</u>	<u>10,862,428</u>	<u>237,631</u>
Total long-term debt	<u>11,143,296</u>	<u>-</u>	<u>(280,868)</u>	<u>10,862,428</u>	<u>237,631</u>
Noncurrent liabilities - other	259,008	-	(15,236)	243,772	-
County Redevelopment Authority	345,472	-	(31,407)	314,065	31,407
Total other noncurrent liabilities	<u>604,480</u>	<u>-</u>	<u>(46,643)</u>	<u>557,837</u>	<u>31,407</u>
Total long-term liabilities	<u>\$ 11,747,776</u>	<u>\$ -</u>	<u>\$ (327,511)</u>	<u>\$ 11,420,265</u>	<u>\$ 269,038</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

5. 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 4.

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, 2021 Fair Value	Current year value change	December 31, 2022 Fair Value
2021 swap	Yes	\$ 310,536	\$ 1,095,569	\$ 1,406,105

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, 2022 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

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YEAR ENDED DECEMBER 31, 2022

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, 2022, these borrowings had outstanding balances as detailed below:

Loan	Estimated borrowing rate	Balance of swap borrowing December 31, 2021	Additions	Amortization	Balance of swap borrowing December 31, 2022
2021 swap	3.42%	\$ 259,008	\$ -	\$ (15,236)	\$ 243,772

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, 2022.

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, 2022, 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, 2022.
- 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 like the Securities Industry and Financial Markets Association (SIFMA). Although expected to

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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.

6. 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 \$2,908 for advanced operating costs related to Homeownership and the Authority is indebted to the County Redevelopment Authority for \$7,607 for costs related to Deshon Place, \$31,034 for costs relating to the rental assistance demonstration, and \$314,065 for costs related to the transfer of employees from the Authority during 2017, as described in Note 4. In addition, in 2022, the County Redevelopment Authority paid the Authority \$24,339 for management and administrative services provided, and the Authority paid the County Redevelopment Authority \$3,020,283 for contracted administrative and maintenance staff services provided.

7. 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, 2022

8. 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 2023, 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.

9. 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, 2022

CONDENSED STATEMENT OF NET POSITION

	Homeownership	Butler Area Housing & Community Development	Chicora Commons	Rolling Road	Total Component Units
<u>2022</u>					
<u>Assets:</u>					
Total current assets	\$ 102,363	\$ 500	\$ 55,826	\$ 393,146	\$ 551,835
Total capital assets, net of accumulated depreciation	-	-	1,154,295	3,211,202	4,365,497
Total Assets	<u>\$ 102,363</u>	<u>\$ 500</u>	<u>\$ 1,210,121</u>	<u>\$ 3,604,348</u>	<u>\$ 4,917,332</u>
<u>Liabilities:</u>					
Total current liabilities	\$ 56,338	\$ 500	\$ 12,154	\$ 38,729	\$ 107,721
Total non-current liabilities	-	-	910,375	1,226,820	2,137,195
Total Liabilities	<u>56,338</u>	<u>500</u>	<u>922,529</u>	<u>1,265,549</u>	<u>2,244,916</u>
<u>Equity/Net Position:</u>					
Net investment in capital assets	-	-	243,920	1,984,382	2,228,302
Restricted net position	-	-	23,545	209,981	233,526
Unrestricted net position	46,025	-	20,127	144,436	210,588
Total Equity/Net Position	<u>46,025</u>	<u>-</u>	<u>287,592</u>	<u>2,338,799</u>	<u>2,672,416</u>
Total Liabilities and Equity/ Net Position	<u>\$ 102,363</u>	<u>\$ 500</u>	<u>\$ 1,210,121</u>	<u>\$ 3,604,348</u>	<u>\$ 4,917,332</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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

	Homeownership	Butler Area Housing & Community Development	Chicora Commons	Rolling Road	Total Component Units
2022					
Operating revenue:					
Net tenant revenue	\$ -	\$ -	\$ 199,067	\$ 485,419	\$ 684,486
Other government grants	77,611	-	-	-	77,611
Investment income - unrestricted	-	-	-	19	19
Other revenue	194,138	-	3,016	4,695	201,849
Investment income - restricted	-	-	-	33	33
Total operating revenue	271,749	-	202,083	490,166	963,998
Operating expenses:					
Other operating expenses	263,765	-	192,249	353,394	809,408
Total operating expenses	263,765	-	192,249	353,394	809,408
Operating income (loss)	7,984	-	9,834	136,772	154,590
Non-operating revenue (expenses):					
Depreciation expense	-	-	(64,656)	(146,050)	(210,706)
Total non-operating revenue (expenses)	-	-	(64,656)	(146,050)	(210,706)
Capital distribution (contribution)	-	-	6,800	44,350	51,150
Total Changes in Net Position	7,984	-	(61,622)	(53,628)	(107,266)
Beginning Net Position	38,041	-	349,214	2,392,427	2,779,682
Ending Net Position	\$ 46,025	\$ -	\$ 287,592	\$ 2,338,799	\$ 2,672,416

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

CONDENSED STATEMENT OF CASH FLOW

	Homeownership	Butler Area Housing & Community Development	Chicora Commons	Rolling Road	Total Component Units
<u>2022</u>					
Net cash provided by (used in) operating activities	\$ 13,487	\$ -	\$ 12,084	\$ 136,827	\$ 162,398
Net cash provided by (used in) capital and related financing activities	-	-	(13,600)	(88,700)	(102,300)
Net cash provided by (used in) investing activities	-	-	(30,190)	(44,690)	(74,880)
Net increase (decrease) in cash and cash equivalents	13,487	-	(31,706)	3,437	(14,782)
Beginning of year cash and cash equivalents	49,435	500	65,387	354,740	470,062
End of year cash and cash equivalents	<u>\$ 62,922</u>	<u>\$ 500</u>	<u>\$ 33,681</u>	<u>\$ 358,177</u>	<u>\$ 455,280</u>

SUPPLEMENTARY INFORMATION

**ENTITY-WIDE FINANCIAL
DATA SCHEDULE**

2022																
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	656,552	-	-	589	-	760,098	7,590,347	34,004	-	-	199,581	9,241,171	-	9,241,171	
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
113	Cash - other restricted	1,066,299	-	-	-	-	-	-	-	-	-	233,526	1,299,825	-	1,299,825	
114	Cash - tenant security deposits	-	-	-	297	495	500	55,917	-	-	-	22,173	79,382	-	79,382	
115	Cash - restricted for payment of current liability	3,727	-	-	-	-	-	-	-	-	-	-	3,727	-	3,727	
100	Total Cash	1,726,578	-	-	886	495	760,598	7,646,264	34,004	-	-	455,280	10,624,105	-	10,624,105	
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
122	Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
124	Accounts receivable - other government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
125	Accounts Receivable - Miscellaneous	-	-	-	31,722	-	829,286	-	3,481	-	-	16,441	880,930	-	880,930	
126	Accounts receivable - tenants	-	-	-	2,218	3,858	79	57,812	-	-	-	1,344	65,311	-	65,311	
126.1	Allowance for doubtful accounts - tenants	-	-	-	(222)	(386)	-	(5,781)	-	-	-	-	(6,389)	-	(6,389)	
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	-	-	-	33,718	3,472	306,265	52,031	3,481	-	-	17,785	416,752	-	416,752	
131	Investments - unrestricted	-	-	-	-	-	-	1,406,105	-	-	-	-	1,406,105	-	1,406,105	
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
135	Investments - restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
142	Prepaid expenses and other assets	-	-	-	-	-	-	16,376	160,852	-	-	55,770	232,998	-	232,998	
143	Inventories	-	-	-	-	-	-	-	42,711	-	-	-	42,711	-	42,711	
143.1	Allowance for obsolete inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
144	Inter-program - due from	-	-	-	-	156,962	194,950	5,183,581	38,266	-	-	-	5,573,759	(5,573,759)	-	
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	23,000	23,000	-	23,000	
150	Total Current Assets	1,726,578	-	-	34,604	160,929	1,261,813	14,304,357	279,314	-	-	551,835	18,319,430	(5,573,759)	12,745,671	
161	Land	-	-	-	-	-	6,942	738,490	-	-	-	428,815	1,174,247	-	1,174,247	
162	Buildings	-	-	-	406,919	1,500,647	740,898	30,856,477	1,348,408	-	-	7,832,005	42,685,354	-	42,685,354	
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	595,611	-	-	93,464	932,304	-	932,304	
165	Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
166	Accumulated depreciation	(32,323)	-	-	(423,486)	(337,646)	(271,518)	(22,809,198)	(1,493,542)	-	-	(4,282,961)	(29,650,674)	-	(29,650,674)	
167	Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
160	Total Capital Assets, Net of Accumulated Depreciation	15,416	-	-	3,291	1,163,001	476,322	9,558,352	450,477	-	-	4,365,497	16,032,356	-	16,032,356	
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	15,416	-	-	3,291	1,163,001	476,322	9,558,352	450,477	-	-	4,365,497	16,032,356	-	16,032,356	
190	Total Assets	1,741,994	-	-	37,895	1,323,930	1,738,135	23,862,709	729,791	-	-	4,917,332	34,351,786	(5,573,759)	28,778,027	

2022															
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	37,377	-	-	11,835	-	150	145,580	35,126	-	-	12,513	242,581	-	242,581
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	-	-	-	-	-	-	5,050	-	-	-	-	5,050	-	5,050
331	Accounts payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	710	113,426	-	-	-	-	114,136	-	114,136
341	Tenant security deposits	-	-	-	297	495	500	55,917	-	-	-	22,173	79,382	-	79,382
342	Unearned Revenue	3,089	-	-	480	515	-	46,000	-	-	-	48,973	99,057	-	99,057
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	23,460	214,171	-	-	-	-	237,631	-	237,631
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	3,727	-	-	5,172	-	7,186	-	31,407	-	-	13,825	61,317	-	61,317
346	Accrued liabilities - other	44,722	-	-	7,607	-	-	31,034	-	-	-	10,237	93,600	-	93,600
347	Inter-program - due to	20,103	-	-	156,962	194,950	4,320	5,194,732	2,692	-	-	-	5,573,759	(5,573,759)	-
348	Loan liability - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	109,018	-	-	182,353	195,960	36,326	5,805,910	69,225	-	-	107,721	6,506,513	(5,573,759)	932,754
351	Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	252,414	7,427,550	-	-	-	1,787,195	9,467,159	-	9,467,159
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	243,772	282,658	-	-	-	526,430	-	526,430
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	252,414	7,671,322	282,658	-	-	2,137,195	11,151,227	-	11,151,227
300	Total Liabilities	109,018	-	-	182,353	1,003,598	288,740	13,477,232	351,883	-	-	2,244,916	17,657,740	(5,573,759)	12,083,981
400	Deferred Inflows of Resources	-	-	-	-	-	-	1,406,105	-	-	-	-	1,406,105	-	1,406,105
508.1	Net Investment in Capital Assets	15,416	-	-	3,291	355,363	200,448	1,916,631	450,477	-	-	2,228,302	5,169,928	-	5,169,928
511.1	Restricted Net Position	1,021,628	-	-	-	-	-	-	-	-	-	233,526	1,255,154	-	1,255,154
512.1	Unrestricted Net Position	595,932	-	-	(147,749)	(35,031)	1,248,947	7,062,741	(72,569)	-	-	210,588	8,862,859	-	8,862,859
513	Total Equity - Net Position	1,632,976	-	-	(144,458)	320,332	1,449,395	8,979,372	377,908	-	-	2,672,416	15,287,941	-	15,287,941
600	Total Liabilities and Equity/Net Position	1,741,994	-	-	37,895	1,323,930	1,738,135	23,862,709	729,791	-	-	4,917,332	34,351,786	(5,573,759)	28,778,027

2022						
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	-	-	-	45,617	53,926
70400	Tenant revenue - other	-	-	-	-	-
70500	Total Tenant Revenue	-	-	-	45,617	53,926
70600-010	Housing assistance payments	11,255,140	610,413	-	-	-
70600-020	Ongoing administrative fees earned	1,230,681	98,010	79,169	-	-
70600	HUD PHA operating grants	12,485,821	708,423	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	-	-	-	24,927	25,073
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	11,690	-	-	-	-
71500	Other revenue	33,023	-	-	708	2,799
71600	Gain or loss on sale of capital assets	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-
70000	Total Revenue	12,530,534	708,423	79,169	71,252	81,798
91100	Administrative salaries	-	-	79,169	-	-
91200	Auditing fees	4,080	-	-	209	209
91300	Management fee	247,092	10,428	-	-	-
91310	Book-keeping Fee	154,432	6,518	-	-	-
91400	Advertising and marketing	-	-	-	-	-
91500	Employee benefit contributions - administrative	-	-	-	-	-
91600	Office expenses	111,723	-	-	410	410
91700	Legal expense	44,166	-	-	386	368
91800	Travel	5,457	-	-	75	34
91810	Allocated Overhead	-	-	-	-	-
91900	Other	580,968	81,064	-	9,489	9,214
91000	Total Operating-Administrative	1,147,918	98,010	79,169	10,569	10,235
92000	Asset Management Fee	-	-	-	-	-
92100	Tenant services - salaries	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-
92400	Tenant services - other	-	-	-	17,497	19,473
92500	Total Tenant Services	-	-	-	17,497	19,473
93100	Water	719	-	-	1,318	1,456
93200	Electricity	4,794	-	-	6,623	7,320
93300	Gas	3,262	-	-	6,372	7,042
93400	Fuel	-	-	-	-	-
93500	Labor	-	-	-	-	-
93600	Sewer	486	-	-	4,860	4,860
93700	Employee benefit contributions - utilities	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-
93000	Total Utilities	9,261	-	-	19,173	20,678
94100	Ordinary maintenance and operations - labor	-	-	-	-	-
94200	Ordinary maintenance and operations - materials and other	208	-	-	2,813	627
94300	Ordinary Maintenance and Operations Contracts	15,445	-	-	14,531	21,171
94500	Employee benefit contribution - ordinary maintenance	-	-	-	-	-
94000	Total Maintenance and Operations	15,653	-	-	17,344	21,798
95100	Protective services - labor	-	-	-	-	-
95200	Protective services - other contract costs	599	-	-	-	-
95300	Protective services - other	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-
95000	Total Protective Services	599	-	-	-	-
96110	Property insurance	-	-	-	-	-
96120	Liability insurance	11,847	-	-	663	663
96130	Workmen's compensation	5,547	-	-	-	-
96140	All other insurance	7,511	-	-	2,659	2,663
96100	Total Insurance Premiums	24,905	-	-	3,322	3,326

2022						
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	-	-	-	6,191	7,413
96500	Bad debt - mortgages	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-
96800	Severance expense	-	-	-	-	-
96000	Total Other General Expenses	-	-	-	6,191	7,413
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	1,198,336	98,010	79,169	74,096	82,923
97000	Excess Revenue Over Operating Expenses	11,332,198	610,413	-	(2,844)	(1,125)
97100	Extraordinary maintenance	-	-	-	-	-
97200	Casualty losses - non-capitalized	-	-	-	-	-
97300	Housing assistance payments	10,308,144	610,413	-	-	-
97350	HAP Portability-In	29,555	-	-	-	-
97400	Depreciation expense	9,548	-	-	587	37,516
97500	Fraud losses	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-
90000	Total Expenses	11,545,583	708,423	79,169	74,683	120,439
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	984,951	-	-	(3,431)	(38,641)
11020	Required Annual Debt Principal Payments	-	-	-	-	-
11030	Beginning equity	648,025	-	-	(141,027)	358,973
11040	Prior Period Adjustments, Equity Transfers, and Correction of Errors	-	-	-	-	-
11170-001	Administrative Fee Equity - Beginning Balance	579,238				
11170-010	Administrative Fee Revenue	1,230,681				
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	5,845				
11170-050	Other Revenue	33,023				
11170-051	Comment for Other Revenue	-				
11170-060	Total Admin Fee Revenues	1,269,549				
11170-080	Total Operating Expenses	1,198,336				
11170-090	Depreciation	9,548				
11170-095	HAP port in	29,555				
11170-100	Other Expenses	-				
11170-101	Comment for Other Expense	-				
11170-110	Total Expenses	1,237,439				
11170-002	Net Administrative Fee	32,110				
11170-003	Administrative Fee Equity - Ending Balance	611,348				
11170	Administrative Fee Equity	611,348				
11180-001	Housing Assistance Payments Equity - Beginning Balance	68,787				
11180-010	Housing Assistance Payments Revenue	11,255,140				
11180-015	Fraud Recovery Revenue	5,845				
11180-020	Other revenue	-				
11180-021	Comment for other revenue	-				
11180-025	Investment Income	-				
11180-030	Total HAP revenues	11,260,985				
11180-080	Housing Assistance Payments	10,308,144				
11180-090	Other expense	-				
11180-091	Comment for other expense	-				
11180-100	Total Housing Assistance Payments Expense	10,308,144				
11180-002	Net Housing Assistance Payments	952,841				
11180-003	Housing Assistance Payment Equity - Ending Balance	1,021,628				
11180	Housing Assistance Payments Equity	1,021,628				
11190	Unit Months Available	22,740	1,476	-	120	120
11210	Unit Months Leased	20,591	869	-	93	107
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	-	-	-	-	-

2022										
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	Subtotal	Elimination	Total
70300	Net tenant rental revenue	8,100	4,174,966	-	-	-	684,486	4,967,095	-	4,967,095
70400	Tenant revenue - other	-	62,943	-	-	-	-	62,943	-	62,943
70500	Total Tenant Revenue	8,100	4,237,909	-	-	-	684,486	5,030,038	-	5,030,038
70600-010	Housing assistance payments							11,865,553	-	11,865,553
70600-020	Ongoing administrative fees earned							1,407,860	-	1,407,860
70600	HUD PHA operating grants	-	52,918	-	-	-	-	13,326,331	-	13,326,331
70610	Capital grants	-	-	-	-	-	-	-	-	-
70710	Management fee	-	-	712,783	-	-	-	712,783	(712,783)	-
70720	Asset management fee	-	-	49,810	-	-	-	49,810	(49,810)	-
70730	Bookkeeping fee	-	-	198,309	-	-	-	198,309	(198,309)	-
70740	Front line service fee	-	-	-	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	960,902	-	-	-	960,902	(960,902)	-
70800	Other government grants	-	-	77,398	89,573	18,571	77,611	313,153	(24,658)	288,495
71100	Investment income - unrestricted	-	47,666	-	-	-	19	47,685	-	47,685
71200	Mortgage interest income	-	-	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-	11,690	-	11,690
71500	Other revenue	158,898	70,690	79,588	-	-	201,849	547,555	(329,947)	217,608
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	33	33	-	33
70000	Total Revenue	166,998	4,409,183	1,117,888	89,573	18,571	963,998	20,237,387	(1,315,507)	18,921,880
91100	Administrative salaries	-	-	-	-	-	-	79,169	(79,169)	-
91200	Auditing fees	-	12,852	2,892	-	-	-	19,073	-	39,315
91300	Management fee	-	386,044	-	-	-	-	69,219	712,783	(712,783)
91310	Book-keeping Fee	-	37,359	-	-	-	-	198,309	(198,309)	-
91400	Advertising and marketing	-	1,036	1,128	-	-	-	132	2,296	2,296
91500	Employee benefit contributions - administrative	-	-	-	-	-	-	-	-	-
91600	Office expenses	-	18,819	24,766	-	-	-	12,797	168,925	(155,235)
91700	Legal expense	-	14,159	11,624	-	-	-	386	71,089	71,089
91800	Travel	-	5,455	6,798	-	-	-	1,437	19,256	19,256
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-
91900	Other	15,807	497,044	905,358	-	-	274,202	2,373,146	(21,735)	2,351,411
91000	Total Operating-Administrative	15,807	972,768	952,566	-	-	377,246	3,664,288	(1,167,231)	2,497,057
92000	Asset Management Fee	-	49,810	-	-	-	-	49,810	(49,810)	-
92100	Tenant services - salaries	-	68,033	-	-	-	-	5,775	73,808	(73,808)
92200	Relocation costs	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-	-	-	-
92400	Tenant services - other	-	5,158	-	-	-	-	2,324	44,452	44,452
92500	Total Tenant Services	-	73,191	-	-	-	8,099	118,260	(73,808)	44,452
93100	Water	399	116,240	2,098	-	-	-	12,158	134,388	134,388
93200	Electricity	-	257,754	13,078	-	-	-	50,714	340,283	340,283
93300	Gas	-	254,571	5,151	-	-	-	8,138	284,536	284,536
93400	Fuel	-	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	-	-
93600	Sewer	600	193,505	486	-	-	-	28,577	233,374	233,374
93700	Employee benefit contributions - utilities	-	-	-	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-	-	-	-
93000	Total Utilities	999	822,070	20,813	-	-	99,587	992,581	-	992,581
94100	Ordinary maintenance and operations - labor	-	-	-	-	-	-	-	-	-
94200	Ordinary maintenance and operations - materials and other	1,495	147,285	3,230	-	-	-	17,240	172,898	172,898
94300	Ordinary Maintenance and Operations Contracts	6,682	975,214	44,936	-	-	-	175,039	1,253,018	1,253,018
94500	Employee benefit contribution - ordinary maintenance	-	-	-	-	-	-	-	-	-
94000	Total Maintenance and Operations	8,177	1,122,499	48,166	-	-	192,279	1,425,916	-	1,425,916
95100	Protective services - labor	-	-	-	-	-	-	-	-	-
95200	Protective services - other contract costs	-	46,568	674	-	-	-	8,672	56,513	56,513
95300	Protective services - other	-	-	-	-	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-	-	-	-	-
95000	Total Protective Services	-	46,568	674	-	-	8,672	56,513	-	56,513
96110	Property insurance	-	-	-	-	-	-	-	-	-
96120	Liability insurance	-	27,843	2,234	-	-	-	594	43,844	43,844
96130	Workmen's compensation	-	4,930	10,477	-	-	-	-	20,954	20,954
96140	All other insurance	168	153,610	10,088	-	-	-	40,118	216,817	216,817
96100	Total Insurance Premiums	168	186,383	22,799	-	-	40,712	281,615	-	281,615

2022										
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	Subtotal	Elimination	Total
96200	Other general expenses	-	-	77,398	89,573	18,571	31,133	216,675	(24,658)	192,017
96210	Compensated absences	-	-	-	-	-	-	-	-	-
96300	Payments in lieu of taxes	710	113,426	-	-	-	51,019	165,155	-	165,155
96400	Bad debt - tenant rents	-	59,125	-	-	-	661	73,390	-	73,390
96500	Bad debt - mortgages	-	-	-	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-	-	-	-
96000	Total Other General Expenses	710	172,551	77,398	89,573	18,571	82,813	455,220	(24,658)	430,562
96710	Interest of mortgage (or bonds) payable	11,779	247,059	-	-	-	-	258,838	-	258,838
96720	Interest on notes payable (short and long term)	-	-	-	-	-	-	-	-	-
96730	Amortization of bond issue costs	-	-	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	11,779	247,059	-	-	-	-	258,838	-	258,838
96900	Total Operating Expenses	37,640	3,692,899	1,122,416	89,573	18,571	809,408	7,303,041	(1,315,507)	5,987,534
97000	Excess Revenue Over Operating Expenses	129,358	716,284	(4,528)	-	-	154,590	12,934,346	-	12,934,346
97100	Extraordinary maintenance	-	(1,860)	-	-	-	-	(1,860)	-	(1,860)
97200	Casualty losses - non-capitalized	-	-	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	-	-	-	-	10,918,557	-	10,918,557
97350	HAP Portability-In	-	-	-	-	-	-	29,555	-	29,555
97400	Depreciation expense	24,999	778,000	48,386	-	-	210,706	1,109,742	-	1,109,742
97500	Fraud losses	-	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-
90000	Total Expenses	62,639	4,469,039	1,170,802	89,573	18,571	1,020,114	19,359,035	(1,315,507)	18,043,528
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	104,359	(59,856)	(52,914)	-	-	(56,116)	878,352	-	878,352
11020	Required Annual Debt Principal Payments	23,460	214,171	-	-	-	-	237,631	-	237,631
11030	Beginning equity	1,293,886	9,039,228	430,822	-	-	2,779,682	14,409,589	-	14,409,589
11040	Prior Period Adjustments, Equity Transfers, and Correction of Errors	51,150	-	-	-	-	(51,150)	-	-	-
11170-001	Administrative Fee Equity - Beginning Balance							579,238	-	579,238
11170-010	Administrative Fee Revenue							1,230,681	-	1,230,681
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							5,845	-	5,845
11170-050	Other Revenue							33,023	-	33,023
11170-051	Comment for Other Revenue							-	-	-
11170-060	Total Admin Fee Revenues							1,269,549	-	1,269,549
11170-080	Total Operating Expenses							1,198,336	-	1,198,336
11170-090	Depreciation							9,548	-	9,548
11170-095	HAP port in							29,555	-	29,555
11170-100	Other Expenses							-	-	-
11170-101	Comment for Other Expense							-	-	-
11170-110	Total Expenses							1,237,439	-	1,237,439
11170-002	Net Administrative Fee							32,110	-	32,110
11170-003	Administrative Fee Equity - Ending Balance							611,348	-	611,348
11170	Administrative Fee Equity							611,348	-	611,348
11180-001	Housing Assistance Payments Equity - Beginning Balance							68,787	-	68,787
11180-010	Housing Assistance Payments Revenue							11,255,140	-	11,255,140
11180-015	Fraud Recovery Revenue							5,845	-	5,845
11180-020	Other revenue							-	-	-
11180-021	Comment for other revenue							-	-	-
11180-025	Investment Income							-	-	-
11180-030	Total HAP revenues							11,260,985	-	11,260,985
11180-080	Housing Assistance Payments							10,308,144	-	10,308,144
11180-090	Other expense							-	-	-
11180-091	Comment for other expense							-	-	-
11180-100	Total Housing Assistance Payments Expense							10,308,144	-	10,308,144
11180-002	Net Housing Assistance Payments							952,841	-	952,841
11180-003	Housing Assistance Payment Equity - Ending Balance							1,021,628	-	1,021,628
11180	Housing Assistance Payments Equity							1,021,628	-	1,021,628
11190	Unit Months Available	12	5,976	-	-	-	924	31,368	-	31,368
11210	Unit Months Leased	12	5,490	-	-	-	899	28,061	-	28,061
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, 2022

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	\$ -	\$ 11,536,035
Mainstream Vouchers	14.879	N/A	-	708,423
Housing Voucher Cluster Subtotal			-	12,244,458
Housing Counseling Assistance Program	14.169	N/A	-	18,571
Continuum of Care Program	14.267	N/A	-	52,918
Resident Opportunity and Supportive Services - Service Coordinators	14.870	N/A	-	79,169
Total U.S. Department of Housing and Urban Development			-	12,395,116
<u>U.S. Department of Agriculture:</u>				
Rural Housing Preservation Grants	10.433	N/A	-	89,573
Total Expenditures of Federal Awards			\$ -	\$ 12,484,689

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, 2022

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, 2022. 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, 2022

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, 2022, 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 6, 2023. 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 6, 2023

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, 2022. 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, 2022.

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

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

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 6, 2023

HOUSING AUTHORITY OF THE COUNTY OF BUTLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

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, 2022

NO FINDINGS IN PRIOR YEAR