

BASIC FINANCIAL STATEMENTS

of the

**BROWN METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended March 31, 2010



Mary Taylor, CPA

Auditor of State

Board of Directors
Brown Metropolitan Housing Authority
406 W. Plum
Georgetown, Ohio 45121

We have reviewed the *Independent Auditors' Report* of the Brown Metropolitan Housing Authority, Brown County, prepared by Jones, Cochenour & Co., for the audit period April 1, 2009 through March 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 10, 2010

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BROWN METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Brown Metropolitan Housing Authority
Georgetown, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of Brown Metropolitan Housing Authority, as of and for the year ended March 31, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Brown Metropolitan Housing Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Brown Metropolitan Housing Authority, as of March 31, 2010, and the results of its operations and the cash flows of its proprietary fund activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2010 on our consideration of Brown Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

much more than an accounting firm

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The FDS schedules are presented for purposes of additional analysis and are not a required part of the financial statements of the Brown Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Jones, Cochenour & Co.".

**Jones, Cochenour & Co.
July 9, 2010**

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2010**

Unaudited

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

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

FINANCIAL HIGHLIGHTS

- **The revenue increased by \$60,490 (21%) during 2010, and was \$344,637 and \$284,147 for 2010 and 2009, respectively.**
- **The total expenses increased by \$10,496 (3%). Total expenses were \$350,253 and \$339,757 for 2010 and 2009, respectively.**

USING THIS ANNUAL REPORT

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

MD&A ~ Management's Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Basic Financial Statements ~

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2010**

Unaudited

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2010**

Unaudited

Disaster Housing Assistance Program (DHAP) – The United States Department of Housing and Urban Development (HUD) is taking over long-term rental assistance for eligible families displaced by Hurricane Katrina and Rita from the Federal Emergency Management Agency (FEMA) through a program called Disaster Housing Assistance Program (DHAP). With an interagency agreement between HUD and FEMA, DHAP will be administered through local housing authorities and will be vital for helping families return to self-sufficiency. Participants on the program receive a Housing Choice Voucher.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to prior year.

**TABLE 1
STATEMENT OF NET ASSETS**

	2010	2009
Current and other assets	\$ 17,484	\$ 51,243
Capital assets	1,235,461	1,216,716
TOTAL ASSETS	1,252,945	1,267,959
Current liabilities	12,955	22,353
TOTAL LIABILITIES	12,955	22,353
Net Assets:		
Invested in capital assets, net of related debt	1,235,461	1,216,716
Restricted net assets	1,009	(6,503)
Unrestricted	3,520	35,393
TOTAL NET ASSETS	\$ 1,239,990	\$ 1,245,606

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS:

Capital assets increased due to additional funding from the American Recovery Reinvestment Act (ARRA). The additional funding allowed the project to repair remaining roofs and begin correcting the slippage on one home.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2010**

Unaudited

**TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

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

	2010	2009
Revenues		
Tenant revenue - rents and other	\$ 26,396	\$ 27,834
Operating subsidies and grants	316,736	253,086
Investment income/other revenues	1,505	3,227
TOTAL REVENUE	344,637	284,147
Expenses		
Administration	100,371	82,127
Utilities	18,743	18,246
Insurance	3,001	
Maintenance	38,542	32,593
General / PILOT	644	2,570
Housing assistance payments	140,985	157,736
Bad debt	201	
Depreciation	47,766	46,485
TOTAL EXPENSES	350,253	339,757
NET (DECREASE)	\$ (5,616)	\$ (55,610)

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

Revenues increased due to the additional ARRA funding and an increase from HUD for HAP. Expenses are increasing along with the revenues, the Authority made necessary repairs, provide training for staff, and insurance is being paid by the project.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2010**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$1,235,461 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$18,745 from the end of last year.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2010	2009
Land and land rights	\$ 1,049	\$ 1,049
Buildings	1,844,443	1,752,740
Equipment - dwellings	25,303	50,495
Accumulated depreciation	(635,334)	(587,568)
TOTAL	\$ 1,235,461	\$ 1,216,716

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE	\$	1,216,716
Capital asset additions - CF		21,853
Capital asset additions - Stimulus Grant		29,384
Capital asset additions - Project		15,274
Depreciation		(47,766)
ENDING BALANCE	\$	1,235,461

DEBT ADMINISTRATION

None.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2010**

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Due to the economic depression in Brown County, foreclosures and unemployment rate are rising, and making our waiting list increase at a rapid pace. The current HAP Tenants are losing their jobs thus making our HAP expense increase.

FINANCIAL CONTACT

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

Respectfully submitted,

**Shelly Spiller
Executive Director**

**BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
MARCH 31, 2010**

ASSETS

Cash and cash equivalents	\$	14,271
Cash and cash equivalents - restricted		879
Accounts receivable - net of allowance		<u>2,334</u>

TOTAL CURRENT ASSETS 17,484

CAPITAL ASSETS

Land		1,049
Other capital assets - net		<u>1,234,412</u>

TOTAL CAPITAL ASSETS 1,235,461

TOTAL ASSETS 1,252,945

LIABILITIES AND EQUITY

Accounts payable		5,149
Intergovernmental payable		644
Tenant security deposits		<u>7,162</u>

TOTAL LIABILITIES 12,955

NET ASSETS

Invested in capital assets - net of related debt		1,235,461
Restricted net assets		1,009
Unrestricted net assets		<u>3,520</u>

TOTAL NET ASSETS \$ 1,239,990

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended March 31, 2010

OPERATING REVENUES	
HUD operating grants	\$ 265,499
Tenant revenue	26,396
Other revenue	<u>1,328</u>
TOTAL OPERATING REVENUES	293,223
 OPERATING EXPENSES	
Housing assistance payments	140,985
Administrative	100,371
Utilities	18,743
Insurance	3,001
Maintenance	38,542
General/PILOT	644
Bad debt	201
Depreciation	<u>47,766</u>
TOTAL OPERATING EXPENSES	<u>350,253</u>
OPERATING (LOSS)	(57,030)
 NON-OPERATING REVENUE	
Interest income	177
HUD Capital Grants	<u>51,237</u>
TOTAL NON-OPERATING REVENUE	<u>51,414</u>
CHANGE IN NET ASSETS	(5,616)
NET ASSETS BEGINNING OF YEAR	<u>1,245,606</u>
NET ASSETS END OF YEAR	<u><u>\$ 1,239,990</u></u>

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended March 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from HUD	\$	265,293
Cash received from tenants		26,657
Cash received from other		1,328
Cash payments for housing assistance payments		(140,985)
Cash payments for other operating expenses		(166,837)
Cash payments to HUD and other governments		(4,063)

		NET CASH (USED) BY OPERATING ACTIVITIES
		(18,607)

CASH FLOW FROM CAPITAL ACTIVITIES

Capital grants received for capital assets		51,237
Acquisition of capital assets		(66,511)

		NET CASH (USED) BY CAPITAL ACTIVITIES
		(15,274)

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment earnings		177
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		DECREASE IN CASH AND CASH EQUIVALENTS
		(33,704)

CASH AND CASH EQUIVALENTS, BEGINNING

		48,854
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		CASH AND CASH EQUIVALENTS, ENDING
		\$ 15,150

**RECONCILIATION OF OPERATING LOSS TO NET CASH
(USED) BY OPERATING ACTIVITIES:**

Operating (loss)	\$	(57,030)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		47,766
(Increase) decrease in:		
Receivables - net of allowance		55
Increase (decrease) in:		
Accounts payable		(6,816)
Intergovernmental payables		(3,419)
Tenant security deposits		837

		NET CASH (USED) BY OPERATING ACTIVITIES
		\$ (18,607)

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Brown Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

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

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

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

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

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

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

goods and services.

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

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

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

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

Disaster Housing Assistance Program (DHAP) – The United States Department of Housing and Urban Development (HUD) is taking over long-term rental assistance for eligible families displaced by Hurricane Katrina and Rita from the Federal Emergency Management Agency (FEMA) through a program called Disaster Housing Assistance Program (DHAP). With an interagency agreement between HUD and FEMA, DHAP will be administered through local housing authorities and will be vital for helping families return to self-sufficiency. Participants on the program receive a Housing Choice Voucher.

Accounting and Reporting for Nonexchange Transactions

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

- **Derived tax revenues:** result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- **Imposed nonexchange revenues:** result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Interest income earned in fiscal year 2010 for both programs totaled \$177.

Capital Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority's capitalization policy is \$500. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Due From/To Other Programs

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue.

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Capital Grant

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

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables – Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year. The allowance for doubtful accounts was \$50 at March 31, 2010.

2. CASH AND INVESTMENTS

Cash

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

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

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

2. CASH AND INVESTMENTS- CONTINUED

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

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

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

At fiscal year end March 31, 2010, the carrying amount of the Authority's deposits totaled \$15,150 and its bank balance was \$16,569. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2010, \$0 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

3. INSURANCE AND RISK MANAGEMENT

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

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

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

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

4. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 3/31/2009	Additions / Deletions/ Corrections	Balance 3/31/2010
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	\$ 1,049	\$ -	\$ 1,049
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	1,049	-	1,049
 CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and improvements	\$ 1,752,740	\$ 91,703	\$ 1,844,443
Furniture and equipment	50,495	(25,192)	25,303
Totals at Historical Costs	1,803,235	66,511	1,869,746
Less: Accumulated Depreciation	(587,568)	(47,766)	(635,334)
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	1,215,667	18,745	1,234,412
TOTAL NET CAPITAL ASSETS	\$ 1,216,716	\$ 18,745	\$ 1,235,461
Accumulated Depreciation by Class:			
Building and improvements			\$ 610,067
Furniture and equipment			25,267
TOTAL ACCUMULATED DEPRECIATION			\$ 635,334

5. CONTRACT SERVICES

The authority contracts with:

- Adams Brown Counties Economic Opportunities Inc. to provide financial services for the housing authority. The authority does not have any employees; instead, services are subcontracted from Adams Brown Counties Economic Opportunities Inc.

Adams Brown Counties Economic Opportunities Inc. to provide management and financial reporting services. Compensation shall be based on the amount allowed by HUD for performing these services.

6. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2010, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net assets and other data to HUD as required on the GAAP basis. The FDS schedules follow the footnotes. The schedules are presented in the manner prescribed by Housing and Urban Development.

BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2010

7. CONTINGENT LIABILITIES

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

8. HAP AND ADMINISTRATIVE TRACKING ACCOUNTS

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

	<u>HAP</u>	<u>Administrative</u>	<u>Total</u>
Balance 3/31/09	\$ (6,503)	\$ (1,258)	\$ (7,761)
HAP received	148,217	-	148,217
Administrative received	-	20,406	20,406
HAP expenses	(140,985)	-	(140,985)
Administrative expenses	-	(20,375)	(20,375)
Fraud recovery	232	232	464
Interest income/ other income	48	865	913
Balance 3/31/10	<u>\$ 1,009</u>	<u>\$ (130)</u>	<u>\$ 879</u>

The HAP tracking account is denoted as restricted net assets on the Statement of Net Assets.

9. SUBSEQUENT EVENTS

There were no subsequent events through July 9, 2010, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

BROWN METROPOLITAN HOUSING AUTHORITY
PROPRIETARY FUND TYPE
ENTERPRISE FUND
ENTITY WIDE - STATEMENT OF NET ASSETS
March 31, 2010

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted	7,109				7,109		7,109
113 Cash - Other Restricted		879			879		879
114 Cash - Tenant Security Deposits	7,162				7,162		7,162
100 Total Cash	14,271	879	-	-	15,150	-	15,150
122 Accounts Receivable - HUD Other Projects	450		1,800		2,250		2,250
126 Accounts Receivable - Tenants	134				134		134
126.1 Allowance for Doubtful Accounts -Tenants	(50)				(50)		(50)
120 Total Receivables, Net of Allowances for Doubtful Accounts	534	-	1,800	-	2,334	-	2,334
144 Inter Program Due From	575				575	(575)	-
150 Total Current Assets	15,380	879	1,800	-	18,059	(575)	17,484
161 Land	1,049				1,049		1,049
162 Buildings	1,844,443				1,844,443		1,844,443
164 Furniture, Equipment & Machinery - Administration	25,303				25,303		25,303
166 Accumulated Depreciation	(635,334)				(635,334)		(635,334)
160 Total Capital Assets, Net of Accumulated Depreciation	1,235,461	-	-	-	1,235,461	-	1,235,461
180 Total Non-Current Assets	1,235,461	-	-	-	1,235,461	-	1,235,461
190 Total Assets	1,250,841	879	1,800	-	1,253,520	(575)	1,252,945
312 Accounts Payable <= 90 Days	3,474		1,675		5,149		5,149
333 Accounts Payable - Other Government	644				644		644
341 Tenant Security Deposits	7,162				7,162		7,162
347 Inter Program - Due To	450		125		575	(575)	-
310 Total Current Liabilities	11,730	-	1,800	-	13,530	(575)	12,955
300 Total Liabilities	11,730	-	1,800	-	13,530	(575)	12,955
508.1 Invested In Capital Assets, Net of Related Debt	1,235,461	-	-	-	1,235,461		1,235,461
511.1 Restricted Net Assets	-	1,009	-	-	1,009		1,009
512.1 Unrestricted Net Assets	3,650	(130)	-	-	3,520		3,520
513 Total Equity/Net Assets	1,239,111	879	-	-	1,239,990	-	1,239,990
600 Total Liabilities and Equity/Net Assets	1,250,841	879	1,800	-	1,253,520	(575)	1,252,945

See independent auditors' report

BROWN METROPOLITAN HOUSING AUTHORITY
PROPRIETARY FUND TYPE
ENTERPRISE FUND
ENTITY WIDE - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended March 31, 2010

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	97.109 Disaster Housing Assistance Grant	Total
70300 Net Tenant Rental Revenue	25,407				25,407
70400 Tenant Revenue - Other	989				989
70500 Total Tenant Revenue	26,396	-	-	-	26,396
70600 HUD PHA Operating Grants	92,167	168,623	3,120	1,589	265,499
70610 Capital Grants	21,853		29,384		51,237
71100 Investment Income - Unrestricted	129	48			177
71400 Fraud Recovery		465			465
71500 Other Revenue		863			863
70000 Total Revenue	140,545	169,999	32,504	1,589	344,637
91200 Auditing Fees	5,658	4,199			9,857
91300 Management Fee	50,000	16,176			66,176
91600 Office Expenses	19,629		3,120	1,589	24,338
91000 Total Operating - Administrative	75,287	20,375	3,120	1,589	100,371
93100 Water	18,250				18,250
93200 Electricity	493				493
93000 Total Utilities	18,743	-	-	-	18,743
94100 Ordinary Maintenance and Operations - Labor	6,110				6,110
94200 Ordinary Maintenance and Operations - Materials and Other	14,438				14,438
94300 Ordinary Maintenance and Operations Contracts	17,994				17,994
94000 Total Maintenance	38,542	-	-	-	38,542
96140 All Other Insurance	3,001				3,001
96100 Total insurance Premiums	3,001	-	-	-	3,001
96300 Payments in Lieu of Taxes	644				644
96400 Bad debt - Tenant Rents	201				201
96000 Total Other General Expenses	845	-	-	-	845
96900 Total Operating Expenses	136,418	20,375	3,120	1,589	161,502
97000 Excess of Operating Revenue over Operating Expenses	4,127	149,624	29,384	-	183,135
97100 Extraordinary Maintenance					-
97200 Casualty Losses - Non-capitalized					-
97300 Housing Assistance Payments		140,985			140,985
97350 HAP Portability-In					-
97400 Depreciation Expense	47,766				47,766
90000 Total Expenses	184,184	161,360	3,120	1,589	350,253

See independent auditors' report

BROWN METROPOLITAN HOUSING AUTHORITY
PROPRIETARY FUND TYPE
ENTERPRISE FUND
ENTITY WIDE - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended March 31, 2010

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	97.109 Disaster Housing Assistance Grant	Total
10093 Transfers between Program and Project - In	29,384				29,384
10094 Transfers between Project and Program - Out			(29,384)		(29,384)
10100 Total Other financing Sources (Uses)	29,384	-	(29,384)	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(14,255)	8,639	-	-	(5,616)
11030 Beginning Equity	1,253,366	(7,760)	-	-	1,245,606
11170 Administrative Fee Equity		(130)			(130)
11180 Housing Assistance Payments Equity		1,009			1,009
11190 Unit Months Available	228	456			684
11210 Number of Unit Months Leased	223	438			661
11270 Excess Cash	(7,252)				(7,252)
11620 Building Purchases	66,511				66,511

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BROWN METROPOLITAN HOUSING AUTHORITY
PROPRIETARY FUND TYPE
ENTERPRISE FUND
PROJECT - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended March 31, 2010

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	25,407	-	25,407
70400 Tenant Revenue - Other	989	-	989
70500 Total Tenant Revenue	26,396	-	26,396
70600 HUD PHA Operating Grants	86,581	5,586	92,167
70610 Capital Grants	-	21,853	21,853
71100 Investment Income - Unrestricted	129	-	129
70000 Total Revenue	113,106	27,439	140,545
91200 Auditing Fees	5,658	-	5,658
91300 Management Fee	50,000	-	50,000
91600 Office Expenses	14,043	5,586	19,629
91000 Total Operating - Administrative	69,701	5,586	75,287
93100 Water	18,250	-	18,250
93200 Electricity	493	-	493
93000 Total Utilities	18,743	-	18,743
94100 Ordinary Maintenance and Operations - Labor	6,110	-	6,110
94200 Ordinary Maintenance and Operations - Materials and Other	14,438	-	14,438
94300 Ordinary Maintenance and Operations Contracts	17,994	-	17,994
94000 Total Maintenance	38,542	-	38,542
96140 All Other Insurance	3,001	-	3,001
96100 Total insurance Premiums	3,001	-	3,001
96300 Payments in Lieu of Taxes	644	-	644
96400 Bad debt - Tenant Rents	201	-	201
96000 Total Other General Expenses	845	-	845
96900 Total Operating Expenses	130,832	5,586	136,418
97000 Excess of Operating Revenue over Operating Expenses	(17,726)	21,853	4,127
97400 Depreciation Expense	\$46,819	\$947	47,766
90000 Total Expenses	\$177,651	\$6,533	184,184

See independent auditors' report

BROWN METROPOLITAN HOUSING AUTHORITY
PROPRIETARY FUND TYPE
ENTERPRISE FUND
PROJECT - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended March 31, 2010

	Low Rent	Capital Fund	Total Project
10093 Transfers between Program and Project - In	29,384	-	29,384
10100 Total Other financing Sources (Uses)	29,384	-	29,384
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(35,161)	20,906	(14,255)
11030 Beginning Equity	1,229,014	24,352	1,253,366
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	21,185	(21,185)	-
11190 Unit Months Available	228	-	228
11210 Number of Unit Months Leased	223	-	223
11270 Excess Cash	(7,252)	-	(7,252)
11620 Building Purchases	44,658	21,853	66,511

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**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 Directors
Brown Metropolitan Housing Authority
Georgetown, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of Brown Metropolitan Housing Authority as of and for the year ended March 31, 2010, and have issued our report thereon dated July 8, 2010. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brown Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brown Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brown Metropolitan Housing Authority's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

much more than an accounting firm

This report is intended solely for the information and use of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.

**Jones, Cochenour & Co.
July 9, 2010**

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Mary Taylor, CPA
Auditor of State

BROWN METROPOLITAN HOUSING AUTHORITY

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 23, 2010**