

**BASIC FINANCIAL STATEMENTS**

**of the**

**BROWN METROPOLITAN  
HOUSING AUTHORITY**

**for the**

**Year Ended March 31, 2012**





# Dave Yost • Auditor of State

Board of Directors  
Brown Metropolitan Housing Authority  
406 West Plum Street  
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, 2011 through March 31, 2012. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 10, 2012

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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 the business-type activities of Brown Metropolitan Housing Authority, as of and for the year ended March 31, 2012, as listed in the table of contents. These financial statements are the responsibility of the Brown Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these 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 the 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 financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Brown Metropolitan Housing Authority, as of March 31, 2012, and the change in financial position and cash flows 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 September 27, 2012 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, and 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 be presented to supplement the basic financial statements. Such information, 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

*much more than an accounting firm*

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Brown Metropolitan Housing Authority as a whole. The FDS schedules and cost certifications are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated 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.  
September 27, 2012



**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended March 31, 2012**

**Unaudited**

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

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

**FINANCIAL HIGHLIGHTS**

- **The revenue decreased by \$5,553 (1.7%) during 2012, and were \$324,594 and \$330,147 for 2012 and 2011, respectively.**
- **The total expenses decreased by \$5,723 (1.7%). Total expenses were \$338,256 and \$343,979 for 2012 and 2011, 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.**

<b>MD&amp;A</b> ~ Management's Discussion and Analysis ~
<b>Basic Financial Statements</b> ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Change in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
Year Ended March 31, 2012**

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
Year Ended March 31, 2012**

Unaudited

**BASIC FINANCIAL STATEMENTS**

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

**TABLE 1  
STATEMENT OF NET ASSETS**

	2012	2011
Current and other assets	\$ 59,800	\$ 67,972
Capital assets	1,167,025	1,185,458
<b>TOTAL ASSETS</b>	<b>1,226,825</b>	<b>1,253,430</b>
Current liabilities	14,329	27,272
<b>TOTAL LIABILITIES</b>	<b>14,329</b>	<b>27,272</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,167,025	1,185,458
Restricted net assets	18,015	16,653
Unrestricted net assets	27,456	24,047
<b>TOTAL NET ASSETS</b>	<b>\$ 1,212,496</b>	<b>\$ 1,226,158</b>

**MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS:**

Current assets decreased due to the decrease in current liabilities. Capital assets decreased due to additional depreciation. There were no substantial additions or disposals during the fiscal year. Net assets decreased due to depreciation expenses.

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
Year Ended March 31, 2012**

Unaudited

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

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

	2012	2011
<b>Revenues</b>		
Operating subsidies and grants	\$ 251,691	\$ 299,338
Capital Grants	31,982	-
Tenant revenue - rents and other	26,503	29,919
Interest income/other revenues	14,418	890
<b>TOTAL REVENUE</b>	<b>324,594</b>	<b>330,147</b>
<b>Expenses</b>		
Administration	74,334	56,141
Utilities	5,179	16,896
Insurance	2,289	2,232
Maintenance	56,602	66,650
General/PILOT	292	1,396
Bad debt	-	442
Housing assistance payments	147,416	150,219
Depreciation	52,144	50,003
<b>TOTAL EXPENSES</b>	<b>338,256</b>	<b>343,979</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$ (13,662)</b>	<b>\$ (13,832)</b>

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

Revenues decreased due to a cut in funding from HUD. Expenses decreased due to the Authority making necessary cuts as a result of the HUD funding cuts.

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
Year Ended March 31, 2012**

Unaudited

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of year end, the Authority had \$1,167,025 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$18,433 from the end of last fiscal year.

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

	2012	2011
Land and land rights	\$ 1,049	\$ 1,049
Buildings	1,878,154	1,844,443
Equipment - dwellings	25,303	25,303
Accumulated depreciation	(737,481)	(685,337)
<b>TOTAL</b>	<b>\$ 1,167,025</b>	<b>\$ 1,185,458</b>

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4  
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE	\$ 1,185,458
Capital asset additions - CF	31,982
Capital asset additions - Project	1,729
Depreciation	(52,144)
<b>ENDING BALANCE</b>	<b>\$ 1,167,025</b>

**DEBT ADMINISTRATION**

As of March 31, 2012, the Authority had no debt.

**BROWN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
Year Ended March 31, 2012**

**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, 2012**

**ASSETS**

Cash and cash equivalents	\$ 39,336
Cash and cash equivalents - restricted	18,015
Accounts receivable - net of allowance	885
Prepaid expenses	<u>1,564</u>

**TOTAL CURRENT ASSETS** 59,800

**CAPITAL ASSETS**

Land	1,049
Other capital assets - net	<u>1,165,976</u>

**TOTAL CAPITAL ASSETS** 1,167,025

**TOTAL ASSETS** 1,226,825

**LIABILITIES AND EQUITY**

Accounts payable	810
Intergovernmental payable	292
Tenant security deposits	7,508
Deferred revenue	<u>5,719</u>

**TOTAL LIABILITIES** 14,329

**NET ASSETS**

Invested in capital assets - net of related debt	1,167,025
Restricted net assets	18,015
Unrestricted net assets	<u>27,456</u>

**TOTAL NET ASSETS** \$ 1,212,496

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUND TYPE**  
**ENTERPRISE FUND**  
**Year Ended March 31, 2012**

<b>OPERATING REVENUES</b>	
HUD operating grants	\$ 251,691
Tenant revenue	26,503
Other revenue	<u>14,356</u>
<b>TOTAL OPERATING REVENUES</b>	<b>292,550</b>
 <b>OPERATING EXPENSES</b>	
Administrative	74,334
Utilities	5,179
Insurance	2,289
Maintenance	56,602
General/PILOT	292
Housing assistance payments	147,416
Depreciation	<u>52,144</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>338,256</u></b>
<b>OPERATING (LOSS)</b>	<b>(45,706)</b>
 <b>NON-OPERATING REVENUE</b>	
Interest income	62
HUD Capital Grants	<u>31,982</u>
<b>TOTAL NON-OPERATING REVENUE</b>	<b><u>32,044</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(13,662)</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>1,226,158</u>
<b>NET ASSETS END OF YEAR</b>	<b><u><u>\$ 1,212,496</u></u></b>

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, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from HUD	\$ 251,691
Cash received from tenants	26,798
Cash received from other revenue	5,987
Cash payments for housing assistance payments	(147,416)
Cash payments for other operating expenses	(129,892)
Cash payments to HUD and other governments	(1,977)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,191</b>
 <b>CASH FLOW FROM CAPITAL ACTIVITIES</b>	
Capital grants received for capital assets	31,982
Acquisition of capital assets	(33,711)
<b>NET CASH (USED) BY CAPITAL ACTIVITIES</b>	<b>(1,729)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment earnings	62
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,524</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>53,827</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 57,351</b>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating (loss)	\$ (45,706)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	52,144
(Increase) decrease in:	
Receivables - net of allowance	260
Prepaid expenses	11,436
Increase (decrease) in:	
Accounts payable	(2,772)
Intergovernmental payables	(1,685)
Tenant security deposits	(152)
Deferred revenue	(8,334)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 5,191</b>

See accompanying notes to the basic financial statements

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended March 31, 2012**

**1. DESCRIPTION OF THE REPORTING ENTITY**

**Reporting Entity**

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

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

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

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

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

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

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

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

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended March 31, 2012**

**1. DESCRIPTION OF THE REPORTING ENTITY - CONTINUED**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Fund Accounting**

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

**Proprietary Fund Types**

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

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

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**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, 2012**

**2. 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 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.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. Amounts in excess of FDIC insurance limits are fully collateralized.

**Investments**

The provisions of the HUD Regulations restrict investments. Interest income earned in fiscal year ended March 31, 2012 for both programs totaled \$62.

**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. Management believes all receivables to be collectible, therefore the allowance for doubtful accounts was \$0 at March 31, 2012.

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended March 31, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight line method over the estimated useful lives as follows:

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

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

**Due From/To Other Programs**

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

**Net 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 activities of the proprietary fund. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

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

**Capital Grant**

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

**Budgetary Accounting**

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

**Prepaid Expenses**

This represents the amounts paid for the Administration of the Voucher Program prepaid for the fiscal year 2012.

**3. DEPOSITS AND INVESTMENTS**

**Deposits**

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

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

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended March 31, 2012**

**3. DEPOSITS AND INVESTMENTS- CONTINUED**

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

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

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

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2012, the Authority was not exposed to custodial risk because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At fiscal year end March 31, 2012, the carrying amount of the Authority's deposits totaled \$57,351 and its bank balance was \$53,284.

**Investments**

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

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

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

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

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

At March 31, 2012, the Authority did not have any investments.

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended March 31, 2012

**4. INSURANCE AND RISK MANAGEMENT**

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

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

The authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverage from 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.

**5. CAPITAL ASSETS**

The following is a summary of capital assets:

	Balance 3/31/2011	Additions/ Deletions/ Corrections	Balance 3/31/2012
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>			
Land	\$ 1,049	\$ -	\$ 1,049
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<b>1,049</b>	<b>-</b>	<b>1,049</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>			
Buildings and improvements	\$ 1,844,443	\$ 33,711	\$ 1,878,154
Furniture and equipment	25,303	-	25,303
Totals at Historical Costs	1,869,746	33,711	1,903,457
Less: Accumulated Depreciation	(685,337)	(52,144)	(737,481)
<b>TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED</b>	<b>1,184,409</b>	<b>(18,433)</b>	<b>1,165,976</b>
<b>TOTAL NET CAPITAL ASSETS</b>	<b>\$ 1,185,458</b>	<b>\$ (18,433)</b>	<b>\$ 1,167,025</b>

**Accumulated Depreciation by Class:**

Building and improvements	\$ 712,178
Furniture and equipment	25,303
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>\$ 737,481</b>

**6. FDS SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended March 31, 2012, 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 the Department of Housing and Urban Development.

**BROWN METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended March 31, 2012**

**7. CONTRACT SERVICES**

The authority contracts with:

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

**8. CONTINGENT LIABILITIES**

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

**9. HAP AND ADMINISTRATIVE TRACKING ACCOUNTS**

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

	<u>HAP</u>	<u>Administrative</u>	<u>Total</u>
Balance 3/31/11	\$ 16,653	\$ 130	\$ 16,783
HAP received	136,686	-	136,686
Administrative received	-	20,178	20,178
HAP expenses	(135,346)	-	(135,346)
Administrative expenses	-	(33,353)	(33,353)
Other income	-	14,061	14,061
Interest income/ other income	22	-	22
Balance 3/31/12	<u>\$ 18,015</u>	<u>\$ 1,016</u>	<u>\$ 19,031</u>

**10. SUBSEQUENT EVENTS**

There were no subsequent events through September 27, 2012, 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, 2012**

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$31,828		\$31,828		\$31,828
113 Cash - Other Restricted		\$18,015	\$18,015		\$18,015
114 Cash - Tenant Security Deposits	\$7,508		\$7,508		\$7,508
100 Total Cash	\$39,336	\$18,015	\$57,351	\$0	\$57,351
124 Accounts Receivable - Other Government		\$261	\$261		\$261
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$624		\$624		\$624
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$624	\$261	\$885	\$0	\$885
142 Prepaid Expenses and Other Assets		\$1,564	\$1,564		\$1,564
144 Inter Program Due From		\$4,910	\$4,910	-\$4,910	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$39,960	\$24,750	\$64,710	\$4,910	\$69,800
161 Land	\$1,049		\$1,049		\$1,049
162 Buildings	\$1,878,154		\$1,878,154		\$1,878,154
164 Furniture, Equipment & Machinery - Administration	\$25,303		\$25,303		\$25,303
166 Accumulated Depreciation	-\$737,481		-\$737,481		-\$737,481
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,167,025	\$0	\$1,167,025	\$0	\$1,167,025
180 Total Non-Current Assets	\$1,167,025	\$0	\$1,167,025	\$0	\$1,167,025
190 Total Assets	\$1,206,985	\$24,750	\$1,231,735	-\$4,910	\$1,226,825
312 Accounts Payable <= 90 Days	\$810		\$810		\$810
333 Accounts Payable - Other Government	\$292		\$292		\$292
341 Tenant Security Deposits	\$7,508		\$7,508		\$7,508
342 Deferred Revenues	\$0	\$5,719	\$5,719		\$5,719
347 Inter Program - Due To	\$4,910		\$4,910	-\$4,910	\$0
310 Total Current Liabilities	\$13,520	\$5,719	\$19,239	-\$4,910	\$14,329
300 Total Liabilities	\$13,520	\$5,719	\$19,239	-\$4,910	\$14,329
508.1 Invested In Capital Assets, Net of Related Debt	\$1,167,025		\$1,167,025		\$1,167,025
511.1 Restricted Net Assets		\$18,015	\$18,015		\$18,015
512.1 Unrestricted Net Assets	\$26,440	\$1,016	\$27,456		\$27,456
513 Total Equity/Net Assets	\$1,193,465	\$19,031	\$1,212,496	\$0	\$1,212,496
600 Total Liabilities and Equity/Net Assets	\$1,206,985	\$24,750	\$1,231,735	-\$4,910	\$1,226,825

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, 2012**

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$26,503		\$26,503		\$26,503
70400 Tenant Revenue - Other	\$295		\$295		\$295
70500 Total Tenant Revenue	\$26,798	\$0	\$26,798		\$26,798
70600 HUD PHA Operating Grants	\$94,827	\$156,864	\$251,691		\$251,691
70610 Capital Grants	\$31,982		\$31,982		\$31,982
71100 Investment Income - Unrestricted	\$40		\$40		\$40
71500 Other Revenue		\$14,061	\$14,061		\$14,061
72000 Investment Income - Restricted		\$22	\$22		\$22
70000 Total Revenue	\$153,647	\$170,947	\$324,594		\$324,594
91100 Administrative Salaries					
91200 Auditing Fees	\$2,520	\$2,520	\$5,040		\$5,040
91300 Management Fee	\$35,000	\$18,763	\$53,763		\$53,763
91600 Office Expenses	\$8,459		\$8,459		\$8,459
91700 Legal Expense	\$200		\$200		\$200
91800 Travel	\$1,962		\$1,962		\$1,962
91900 Other	\$4,910		\$4,910		\$4,910
91000 Total Operating - Administrative	\$53,051	\$21,283	\$74,334		\$74,334
93100 Water	\$5,058		\$5,058		\$5,058
93200 Electricity	\$121		\$121		\$121
93600 Sewer	\$12,085		\$12,085		\$12,085
93800 Other Utilities Expense	\$5,988		\$5,988		\$5,988
93000 Total Utilities	\$23,252	\$0	\$23,252		\$23,252
94100 Ordinary Maintenance and Operations - Labor	\$11,642		\$11,642		\$11,642
94200 Ordinary Maintenance and Operations - Materials and Other	\$15,221		\$15,221		\$15,221
94300 Ordinary Maintenance and Operations Contracts	\$11,666		\$11,666		\$11,666
94000 Total Maintenance	\$38,529	\$0	\$38,529		\$38,529
96110 Property Insurance	\$2,289		\$2,289		\$2,289
96100 Total insurance Premiums	\$2,289	\$0	\$2,289		\$2,289
96300 Payments in Lieu of Taxes	\$292		\$292		\$292
96000 Total Other General Expenses	\$292	\$0	\$292		\$292
96900 Total Operating Expenses	\$117,413	\$21,283	\$138,696		\$138,696
97000 Excess of Operating Revenue over Operating Expenses	\$36,234	\$149,664	\$185,898		\$185,898

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, 2012**

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97300 Housing Assistance Payments		\$135,346	\$135,346		\$135,346
97350 HAP Portability-In		\$12,070	\$12,070		\$12,070
97400 Depreciation Expense	\$52,144	\$0	\$52,144		\$52,144
90000 Total Expenses	\$169,557	\$168,699	\$338,256		\$338,256
10010 Operating Transfer In	\$6,603		\$6,603		\$6,603
10020 Operating transfer Out	-\$6,603		-\$6,603		-\$6,603
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$15,910	\$2,248	-\$13,662		-\$13,662
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,209,375	\$16,783	\$1,226,158		\$1,226,158
11170 Administrative Fee Equity		\$1,016	\$1,016		\$1,016
11180 Housing Assistance Payments Equity		\$18,015	\$18,015		\$18,015
11190 Unit Months Available	228	456	684		684
11210 Number of Unit Months Leased	228	444	672		672
11270 Excess Cash	\$16,908		\$16,908		\$16,908
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$1,729		\$1,729		\$1,729
11630 Furniture & Equipment - Dwelling Purchases	\$31,982		\$31,982		\$31,982
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

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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, 2012**

	OH081000001	Total
70300 Net Tenant Rental Revenue	\$26,503	\$26,503
70400 Tenant Revenue - Other	\$295	\$295
70500 Total Tenant Revenue	\$26,798	\$26,798
70600 HUD PHA Operating Grants	\$94,827	\$94,827
70610 Capital Grants	\$31,982	\$31,982
71100 Investment Income - Unrestricted	\$40	\$40
70000 Total Revenue	\$153,647	\$153,647
91200 Auditing Fees	\$2,520	\$2,520
91300 Management Fee	\$35,000	\$35,000
91600 Office Expenses	\$8,459	\$8,459
91700 Legal Expense	\$200	\$200
91800 Travel	\$1,962	\$1,962
91810 Allocated Overhead		
91900 Other	\$4,910	\$4,910
91000 Total Operating - Administrative	\$53,051	\$53,051
93100 Water	\$5,058	\$5,058
93200 Electricity	\$121	\$121
93600 Sewer	\$12,085	\$12,085
93800 Other Utilities Expense	\$5,988	\$5,988
93000 Total Utilities	\$23,252	\$23,252
94100 Ordinary Maintenance and Operations - Labor	\$11,642	\$11,642
94200 Ordinary Maintenance and Operations - Materials and Other	\$15,221	\$15,221
94300 Ordinary Maintenance and Operations Contracts	\$11,666	\$11,666
94500 Employee Benefit Contributions - Ordinary Maintenance		
94000 Total Maintenance	\$38,529	\$38,529
96110 Property Insurance	\$2,289	\$2,289
96100 Total insurance Premiums	\$2,289	\$2,289
96200 Other General Expenses		
96300 Payments in Lieu of Taxes	\$292	\$292
96000 Total Other General Expenses	\$292	\$292
96900 Total Operating Expenses	\$117,413	\$117,413
97000 Excess of Operating Revenue over Operating Expenses	\$36,234	\$36,234

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, 2012**

	OH081000001	Total
97400 Depreciation Expense	\$52,144	\$52,144
90000 Total Expenses	\$169,557	\$169,557
10010 Operating Transfer In	\$6,603	\$6,603
10020 Operating transfer Out	-\$6,603	-\$6,603
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$15,910	-\$15,910
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$1,209,375	\$1,209,375
11190 Unit Months Available	228	228
11210 Number of Unit Months Leased	228	228
11270 Excess Cash	\$16,908	\$16,908
11610 Land Purchases	\$0	\$0
11620 Building Purchases	\$1,729	\$1,729
11630 Furniture & Equipment - Dwelling Purchases	\$31,982	\$31,982
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0

See independent auditors' report

**BROWN METROPOLITAN HOUSING AUTHORITY  
COST CERTIFICATIONS  
Year Ended March 31, 2012**

	<u>OH10P081501-09</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 33,126</u>
<b>TOTAL RECEIVED</b>	<u>\$ 33,126</u>

1. The grant cost certificate was approved by HUD.
2. The Authority records agree to the above total expenditures.
3. There are no outstanding liabilities.



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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 the business-type activities of Brown Metropolitan Housing Authority as of and for the year ended March 31, 2012, and have issued our report thereon dated September 27, 2012. 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**

Management of Brown Metropolitan Housing Authority is responsible for establishing and maintaining effective 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 Brown Metropolitan Housing Authority's 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

*much more than an accounting firm*

**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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Brown Metropolitan Housing Authority in a separate letter dated September 27, 2012.

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

A handwritten signature in cursive script that reads "Jones, Cochenour & Co." with a period at the end.

Jones, Cochenour & Co.  
September 27, 2012





# Dave Yost • 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  
DECEMBER 20, 2012**