

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY
Single Audit
For the Year Ended June 30, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Commissioners
Butler Metropolitan Housing Authority
4110 Hamilton-Middletown Road
Hamilton, Ohio 45011

We have reviewed the *Independent Auditor's Report* of the Butler Metropolitan Housing Authority, Butler County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2012 through June 30, 2013. 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 Butler 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 31, 2013

This page intentionally left blank.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO**

FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements.....	12
Supplemental Information:	
Statement of Modernization Costs.....	24
Financial Data Schedule	25
Schedule of Expenditures of Federal Awards.....	31
Notes to the Schedule of Expenditures of Federal Awards	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	35
Schedule of Audit Findings - OMB Circular A -133 § .505.....	37

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

December 13, 2013

Butler Metropolitan Housing Authority
Butler County
4110 Hamilton-Middletown Road
Hamilton, Ohio 45011

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the **Butler Metropolitan Housing Authority**, Butler County, Ohio (the Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Butler Metropolitan Housing Authority, Butler County, Ohio, as of June 30, 2013 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Statement of Modernization Costs presented on page 24 and Financial Data Schedule presented on pages 25-30 present additional analysis as required by the United States Department of Housing and Urban Development and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The statement and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the statement and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement and schedules are stated in all material respects in relation to the basic financial statements taken as a whole.

Butler Metropolitan Housing Authority
Butler County
Independent Auditor's Report
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED**

The Butler Metropolitan Housing Authority ("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 individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The Authority's net position decreased by \$1,052,000 (5 percent) during 2013. Since the Authority engages only in business-type activities, the increase is in the category of business-type net position. Net position was \$17.81 million and \$18.86 million for FY 2013 and FY 2012, respectively.
- The business-type activity revenue decreased by \$530,000 (3 percent) from FY 2012. The primary reason for the decrease in revenue was due to decreases in Public Housing operating and Capital Grant activity. Total revenue was \$16.49 million and \$17.02 million for FY 2013 and FY 2012, respectively.
- The total expenses of all Authority programs increased by \$770,000 (4 percent). The primary reason for the increase was increases in maintenance expense. Total expenses were \$17.54 million and \$16.77 million for FY 2013 and FY 2012, respectively.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns which add to a total for the entire Authority.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal Net Position (similar to equity). Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current." The focus of the Statement of Net Position (Unrestricted Net Position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

Net Position is reported in three broad categories:

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

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

Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets," or "Restricted Net Position."

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administration, utilities, maintenance and operation, and depreciation, and Nonoperating Revenue and Expenses, such as grant revenue, investment income, and interest expense.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED**

Authority-Wide Financial Statements (Continued)

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

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

Consolidated Financial Statements

Traditional users of governmental financial statements will find the consolidated financial statements presentation familiar. The focus is on agency-wide balances rather than individual program balances. The Authority consists of exclusively Enterprise funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

AUTHORITY-WIDE STATEMENT

Condensed Statement of Net Position

The following is a condensed Statement of Net Position compared to prior year. Note that all amounts have been rounded to the nearest \$1,000.

Table I - Condensed Statement of Net Position

	2013	2012	Change	% change
Assets				
Current Assets	\$ 5,609,000	\$ 4,890,000	\$ 719,000	15%
Capital Assets	13,435,000	15,313,000	(1,878,000)	-12%
Other Noncurrent Assets	290,000	0	290,000	100%
Total Assets	19,334,000	20,203,000	(869,000)	-4%
Liabilities				
Current Liabilities	952,000	661,000	291,000	44%
Noncurrent Liabilities	575,000	682,000	(107,000)	-16%
Total Liabilities	1,527,000	1,343,000	184,000	14%
Net Position				
Invested in Capital	13,046,000	14,733,000	(1,687,000)	-11%
Restricted Net Position	993,000	834,000	159,000	19%
Unrestricted Net Position	3,768,000	3,293,000	475,000	14%
Total Net Position	\$ 17,807,000	\$ 18,860,000	\$(1,053,000)	-6%

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED

Major Factors Affecting the Statement of Net Position

Current assets increased by \$719,000 (15 percent). Amounts due from HUD at year-end are \$400,000 more than the prior year. That is primarily a timing issue. Expenditures were incurred from Capital Grants near year-end and amounts from HUD to reimburse the Authority had not been received at year-end. In addition, cash increased by almost \$310,000. Big reasons why that increase occurred were a sale of land in the period and the current period gain from operations.

Capital assets decreased by more than \$1.8 million (about 12 percent). Current year capital additions were outpaced by the increase in accumulated depreciation and disposals.

New on the Statement of Net Position this year is Other Noncurrent Assets of \$290,000. That is an amount being loaned to a development partner related to the multi-lender mixed financed project Beacon Pointe. The Authority advanced Replacement Housing Funds to assist in the development of the project. Those funds are to be repaid to the Authority over the next 40 years.

Current liabilities increased by \$291,000 (44 percent). This increase is closely related to the increase in current assets. The \$400,000 due from HUD at year-end contributing to the increase in current assets corresponded to amounts due to vendors at year-end. Essentially, what the Authority was due from HUD for this reason was, in turn, owed to vendors causing an increase in both current assets and current liabilities over the prior year. Noncurrent liabilities decreased by \$107,000 (about 16%), primarily a reflection of routine debt payments made in the period.

Net Position decreased by \$1.1 million. See the discussion about changes in incomes and expenses related to Table II to better understand why this change in Net Position occurred.

Condensed Statement of Revenues, Expenses and Changes in Net Position

The following is a condensed Statement of Revenues, Expenses, and Changes in Net Position compared to prior year. Note that all amounts have been rounded to the nearest \$1,000.

Table II - Condensed Statement of Revenues, Expenses, and Changes in Net Position				
	2013	2012	Change	% change
Revenues				
Tenant Revenues	\$ 1,612,000	\$ 1,587,000	\$ 25,000	2%
Subsidies	11,334,000	10,738,000	596,000	6%
Capital Grants	434,000	1,706,000	(1,272,000)	-75%
Interest Income	1,000	6,000	(5,000)	-83%
Other Income	3,109,000	2,983,000	126,000	4%
Total Revenues	<u>16,490,000</u>	<u>17,020,000</u>	<u>(530,000)</u>	-3%
Expenses				
Administrative	2,276,000	2,199,000	77,000	4%
Tenant Services	7,000	11,000	(4,000)	-36%
Utilities	1,000,000	975,000	25,000	3%
Maintenance	3,412,000	2,192,000	1,220,000	56%
Protective Services	0	2,000	(2,000)	-100%
General & Interest	282,000	453,000	(171,000)	-38%
HAP	8,313,000	8,608,000	(295,000)	-3%
Depreciation	2,253,000	2,333,000	(80,000)	-3%
Total Expenses	<u>17,543,000</u>	<u>16,773,000</u>	<u>770,000</u>	5%
Change in Net Position	<u>\$ (1,053,000)</u>	<u>\$ 247,000</u>	<u>\$ (1,300,000)</u>	-526%

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2013
 UNAUDITED**

Major Factors Affecting the Statement of Revenue, Expenses, and Changes in Net Position

Revenues dropped by about \$530,000 (3 percent) from the prior year. That drop was concentrated in the area of subsidies for the Public Housing Program and Capital Grants from HUD. First, there was a drop in funding received for the Public Housing Program, primarily the result of cuts made at the Federal level related to the tight budget situation. Then Capital Fund Program grants revenue dropped overall, and more of the spending in the current year was on non-capital work items, so more of that revenue was reported as subsidies than as Capital Grants, making it less obvious that there was a drop in subsidies for other programs.

Expenses increased by \$770,000 (5 percent) and that increase was concentrated in the maintenance area. Contributing in part to that increase was that more of the Capital Fund Program activity in the current period was for non-capital work items. Offsetting the increase in maintenance expenses was a drop in general and interest expenses, primarily due to a reduction in insurance rates, and a drop in HAP expense related to reduction in the lease up rate for the Housing Choice Voucher Program.

Capital Assets

As of year-end, the Authority had \$13.4 million invested in a variety of capital assets as reflected in the following schedule. The balance of capital assets represents a net decrease (addition, deductions and depreciation) of \$1.9 million from the prior fiscal year. Additions to capital assets in the period were outpaced by depreciation on and disposals of capital assets in the period.

The following reconciliation summarizes the change in capital assets. Note that all amounts have been rounded to the nearest \$1,000.

Table III - Condensed Changes in Capital Assets

	2013	2012	Change	% change
Capital Assets				
Land	\$ 3,089,000	\$ 3,147,000	\$ (58,000)	-2%
Buildings and Improvements	68,907,000	67,589,000	1,318,000	2%
Equipment	1,701,000	1,682,000	19,000	1%
Construction in Progress	102,000	1,006,000	(904,000)	-90%
Accumulated Depreciation	(60,364,000)	(58,111,000)	(2,253,000)	4%
Total Capital Assets	<u>\$ 13,435,000</u>	<u>\$ 15,313,000</u>	<u>\$ (1,878,000)</u>	-12%

Debt

The following is a summary of changes in debt of the agency in this period, all the result of normal repayments of debt obligations.

Notes Payable at June 30, 2012	\$ 579,861
Retirements	(190,709)
Notes Payable at June 30, 2013	<u>\$ 389,152</u>

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013
UNAUDITED**

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2013 Federal budget. Although the Authority does not yet have a final subsidy amount for CY2014, it is likely that subsidy will again be underfunded or prorated as has been in the past, and will therefore not meet the financial needs of the agency.

FINANCIAL CONTACT

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions regarding these financial statements or supplemental information, you may contact Phyllis Hitte, Executive Director, at (513) 896-4411 or by writing: Butler Metropolitan Housing Authority, 4110 Hamilton-Middletown Road, Hamilton, Ohio 45011-6218.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 3,706,791
Cash and Cash Equivalents - Restricted	863,191
Accounts Receivable	687,410
Prepaid Expenses	209,032
Inventories	142,859
Total Current Assets	5,609,283

Noncurrent Assets

Capital Assets:

Land	3,088,987
Buildings and Improvements	68,907,423
Furniture and Equipment	1,700,734
Construction-in-Progress	102,463
	<u>73,799,607</u>
Less: Accumulated Depreciation	(60,364,155)
Total Capital Assets, Net	<u>13,435,452</u>
Notes Receivable	290,000
Total Noncurrent Assets	13,725,452

TOTAL ASSETS	\$ 19,334,735
---------------------	----------------------

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 581,682
Accrued Liabilities	42,558
Long-Term Liabilities - Current Portion	199,050
Tenant Security Deposits/Escrow deposits	129,386
Total Current Liabilities	952,676

Noncurrent Liabilities

Mortgage and Notes Payable	190,102
Accrued Compensated Absences	353,874
Trust Deposit Liabilities	30,921
Total Noncurrent Liabilities	574,897

TOTAL LIABILITIES	1,527,573
--------------------------	------------------

NET POSITION

Net Investment in Capital Assets	13,046,300
Restricted Net Position	992,884
Unrestricted Net Position	3,767,978
TOTAL NET POSITION	17,807,162

TOTAL LIABILITIES AND NET POSITION	\$ 19,334,735
---	----------------------

The accompanying notes are an integral part of the financial statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

<u>Operating Revenue</u>	
Tenant Revenue	\$ 1,611,610
Governmental Grants and Subsidy	11,334,230
Other Income	<u>2,955,683</u>
Total Operating Revenue	<u>15,901,523</u>
<u>Operating Expenses</u>	
Administration	2,275,548
Tenant Services	7,517
Utilities	999,678
Maintenance and Operation	3,412,284
General Expense	260,776
Housing Assistance Payments	8,313,343
Depreciation and Amortization	<u>2,252,603</u>
Total Operating Expenses	<u>17,521,749</u>
Net Operating Income (Loss)	<u>(1,620,226)</u>
<u>Nonoperating Revenues/(Expenses)</u>	
Investment Income	1,374
Gain on Disposition of Capital Assets	153,737
Interest Expense	<u>(21,061)</u>
Net Nonoperating Revenues/(Expenses)	<u>134,050</u>
Net Income/(Loss) before Capital Grants	(1,486,176)
Capital Grants	<u>433,744</u>
Increase (Decrease) in Net Position	(1,052,432)
Total Net Position - Beginning	<u>18,859,594</u>
Total Net Position - Ending	<u>\$ 17,807,162</u>

The accompanying notes are an integral part of the financial statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Cash flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 4,537,078
Governmental Grants and Subsidy - Operations	10,868,625
Payments for Operations	(4,218,310)
Payments for Housing Assistance	(8,313,343)
Payments for Administration	<u>(2,273,467)</u>
Net Cash Provided from Operating Activities	<u>600,583</u>
<u>Cash Flows from Investing Activities</u>	
Notes Receivable	(290,000)
Interest Received	<u>1,374</u>
Net Cash Used by Investing Activities	<u>(288,626)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Grant Revenue - Capital Grants	433,744
Acquisition of Capital Assets - Capital Grants	(433,744)
Proceeds of Assets Sold	212,000
Payment of Interest	(22,739)
Payment on Mortgage Notes payable	<u>(190,709)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,448)</u>
Net Increase (Decrease) in Cash	310,509
Cash at Beginning of Period	<u>4,259,473</u>
Cash at End of Period	<u>\$ 4,569,982</u>
<u>Cash Flows from Operating Activities</u>	
Net Income (Loss) from Operations	\$ (1,620,226)
Adjustments to Reconcile Net Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	2,252,603
Decrease (Increase) in Accounts Receivable	(490,760)
Decrease (Increase) in Prepaid Expenses	68,675
Decrease (Increase) in Inventories	13,661
Increase (Decrease) in Accounts Payable	376,299
Increase (Decrease) in Accrued Liabilities	(1,991)
Increase (Decrease) in Tenant Security Deposits/Escrow Deposits	<u>2,322</u>
Net Cash Provided from Operating Activities	<u>\$ 600,583</u>

The accompanying notes are an integral part of the financial statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY

1. Introduction

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Organization

The Butler Metropolitan Housing Authority (“The Authority”) is a public body and a body corporate and politic organized under the laws of the State of Ohio by the City of Hamilton for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, the City appoints a Governing Board, but the Board designates its own management. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (“HUD”) to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

3. Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting Standards Board* and the Financial Accounting Standards Board and GASB Statement Number 14, *The Financial Reporting Entity*.

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority – the Board of Commissioners of the Authority is appointed to five-year terms by the Mayor of the City of Hamilton, Probate Court, Commons Please Court, and the Butler County Commissioners, but the Authority designates its own management. The City and County provide no financial support to the Authority and are not responsible for the debts or entitled to the net assets of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the officials of the city of Hamilton and Butler County appoint the governing board of the Authority, no other criteria established by Governmental Accounting Standards Board for inclusion of the Authority in the financial reports of those entities are met. Therefore, a separate financial report is prepared for the Authority.

Imposition of Will - The County has no influence over the management, budget, or policies of the Authority. The Authority’s Board of Commissioners has the responsibility to significantly influence the Authority’s operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

3. Reporting Entity (Continued)

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments, and there are no other entities that are to be reported as component units of the Authority nor for the Authority to be included in the City of Hamilton's financial reports therefore, the Authority reports independently. During the review of the Authority's budgets, annual contributions contract, minutes of the Board of Commissioner's meetings, cash receipts and cash disbursements for the reporting period disclosed that the Authority operated the following programs under Annual Contributions Contract:

- A. *Public Housing Program*** – 1,156 units were available for rent by the Authority. Included in this program is the Resident Opportunity and Supportive Services Program. In addition to this the Authority has a Capital Fund Program separately funded by HUD for the modernization of certain units.
- B. *Housing Choice Voucher Program*** – The objective of this program is to provide housing for eligible low-income families through housing assistance payments to private landlords.
- C. *Capital Fund Program*** – The objective of this program is to improve the physical condition of the Low-Income Public Housing units and upgrade the management of the Program.
- D. *Business Activities*** – Business Activities represents a program to account for the activities of the Knightsbridge building which was a commercial property purchased in 2002 and which was leased for the purpose of providing additional income for the Authority. The Authority sold the building in December of 2011 and the program accounts for excess cash related to the sale of the building.

4. Basis of Presentation, Basis of Accounting and Measurement Focus

Basis of Accounting - The Authority uses the accrual basis of accounting for all funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Authority's activities are included on the Statement of Net Position. The Authority uses the following fund:

Enterprise Fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

4. Basis of Presentation, Basis of Accounting and Measurement Focus (Continued)

The Authority's net position is reported in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and 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.
2. Restricted Net Position – Consists of net position with constraints placed on their use by external groups including HUD, creditors, grantors, contributors, or laws and regulations of other governments.
3. Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

5. Revenues and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

6. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. The Authority does not utilize encumbrance accounting.

7. Budgets

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the program to which the budget applies. The Authority prepares annual operating budgets, which are formally adopted by its Governing Board of Commissioners and submitted to HUD when required.

8. Inventories

Inventories are recorded on a first-in, first out basis. The periodic method is used to account for inventories. Under the periodic method, inventories are charged to expense when purchased and adjusted periodically upon physical inventory count.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

9. Capital Assets and Depreciation

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the City of Hamilton for maintenance and repairs. Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. The Authority has established a capitalization threshold of \$2,000 for equipment, buildings and improvements.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings and Improvements	10-20 years
Furniture, Fixtures and Equipment	3-10 years
Vehicles	5 years

10. Collection Losses

Collection losses on accounts receivable are expensed, in the appropriate fund, on the specific write-off method.

11. Insurance

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. The Authority secures required insurance coverage through the competitive bid process. As of the date of the fieldwork, the Authority had the required coverage in force.

12. Cash and Investments

- The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.
- Investments are stated at fair value, except for U. S. Treasury Bills, which are reported at amortized cost. The Authority reports all money market investments having a remaining maturity at time of purchase of three months or more at amortized cost. Investment securities are normally held to mature at par value and the Authority ignores all gains and losses due to the Held to Maturity status of the Authority's investment policy.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE A: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND REPORTING ENTITY (Continued)

13. Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees.

14. Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net assets below the non-operating revenue and expense.

NOTE B: CASH AND CASH EQUIVALENTS

All the deposits of the Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Authority has no policy regarding custodial credit risk for deposits.

At June 30, 2013, the Authority's deposits had a carrying amount of \$4,569,982 (including \$1,200 of petty cash) and a bank balance of \$4,791,516. Of the bank balances held in one financial institution, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method.

Interest Rate Risk - As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority typically limits its investment portfolio to maturities of 12 months or less. The Authority has no specific policy regarding interest rate risk.

Credit Risk - The Authority has no policy regarding credit risk.

Custodial Credit Risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority had no funds that were considered to be investments and as such all funds were classified as cash & cash equivalents. The Authority has no policy on custodial credit risk.

Concentration of Credit Risk - The Authority places no limit on the amount that it may invest in any one issuer. The Authority has no policy regarding credit risk.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013
 (CONTINUED)**

NOTE B: CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents at June 30, 2013, consisted of the following:

<u>Cash and Cash Equivalents</u>	
Checking - Unrestricted	\$ 3,705,591
Cash - Restricted	863,191
Petty Cash	1,200
	<u>\$ 4,569,982</u>
<u>Restricted Cash and Cash Investments</u>	
Tenant Security Deposits	\$ 129,386
FSS Escrow	30,921
HCV HAP Equity/Net Restricted Assets	490,884
Restricted for Development	212,000
	<u>\$ 863,191</u>

NOTE C: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013, consisted of the following:

Tenants (Net of Allowance of \$47,326)	\$ 47,491
HUD	409,255
Miscellaneous	25,684
Other Government	204,980
	<u>\$ 687,410</u>

The above receivable balance excludes \$377,368 of interfund balances that have been eliminated from the consolidated financial statements at June 30, 2013.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE D: CAPITAL ASSETS

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2013:

	Balance 6/30/2012	Reclasses	Additions	Deletions	Balance 6/30/2013
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 3,147,250	\$ 0	\$ 0	\$ (58,263)	\$ 3,088,987
Construction in Progress	1,006,494	(1,006,494)	102,463	0	102,463
Total Capital Assets Not Being Depreciated	<u>4,153,744</u>	<u>(1,006,494)</u>	<u>102,463</u>	<u>(58,263)</u>	<u>3,191,450</u>
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	67,588,532	1,006,494	312,397	0	68,907,423
Furniture and Equipment	1,681,850	0	18,884	0	1,700,734
Subtotal Capital Assets Being Depreciated	<u>69,270,382</u>	<u>1,006,494</u>	<u>331,281</u>	<u>0</u>	<u>70,608,157</u>
<u>Accumulated Depreciation</u>					
Buildings and Improvements	(56,583,916)	(108,547)	(2,183,681)	0	(58,876,144)
Furniture and Equipment	(1,527,636)	108,547	(68,922)	0	(1,488,011)
Subtotal Accumulated Depreciation	<u>(58,111,552)</u>	<u>0</u>	<u>(2,252,603)</u>	<u>0</u>	<u>(60,364,155)</u>
Depreciable Assets, Net	11,158,830	1,006,494	(1,921,322)	0	10,244,002
Total Capital Assets, Net	<u>\$15,312,574</u>	<u>\$ 0</u>	<u>\$ (1,818,859)</u>	<u>\$ (58,263)</u>	<u>\$ 13,435,452</u>

NOTE E: NOTE RECEIVABLE

Mixed Finance Construction Loan

The Authority is loaning to a development partner in conjunction with a multi-lender mixed finance arrangement for construction of the Beacon Pointe development. Repayment is based on cash flows realized by the Project. A lump sum payment of outstanding principal and interest is due at maturity, which is 40 years. The loan is secured by the property. At June 30, 2013, the Note Receivable balance is \$290,000.

Allowance

No allowance for an uncollectible amount is deemed necessary against the receivable. No facts are currently known that would lead the Authority to believe that default on the loan is probable. The debt may be satisfied through repayment in full or by transfer of property to the Authority.

Interest Income

Due to the length of time preceding the required payment of interest, interest earned on the note receivable has been deferred and is not recognized in the Statement of Revenues, Expenses and Changes in Net Position.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE F: LONG-TERM DEBT

Energy Performance Contract - On May 1, 2003, the Authority issued a note for \$1,983,066 to provide funding to acquire and install certain energy saving equipment. The note is scheduled to mature on May 1, 2015, and is secured by a trust indenture dated May 1, 2006 to Fifth Third Bank, Cincinnati, Ohio as the lender. The note bears interest at the rate of 4.230 percent payable in monthly installments of \$17,647.39. The outstanding balance as of June 30, 2013, is \$389,152.

A summary of future debt comments is as follows:

<u>For the Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2014	\$ 199,050	\$ 12,719	\$ 211,769
2015	190,102	4,019	194,121
Totals	<u>\$ 389,152</u>	<u>\$ 16,738</u>	<u>\$ 405,890</u>

A summary of changes in long-term liabilities is as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance July 1, 2013</u>	<u>Current Portion</u>
Energy Performance Debt	\$ 579,861	\$ 0	\$ (190,709)	\$ 389,152	\$ 199,050
Compensated Absences	314,658	114,533	(75,317)	353,874	0
FSS Escrows	25,386	5,535	0	30,921	0
Total Restricted Net Assets	<u>\$ 919,905</u>	<u>\$ 120,068</u>	<u>\$ (266,026)</u>	<u>\$ 773,947</u>	<u>\$ 199,050</u>

NOTE G: DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

1. The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
2. The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE G: DEFINED BENEFIT PENSION PLANS (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2013, 2012, and 2011, were \$257,460, \$264,386, and \$254,431, respectively.

NOTE H: POST-EMPLOYMENT BENEFITS

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013
 (CONTINUED)**

NOTE H: POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2013, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent from April 1, 2012 through December 31, 2012. This rate changed to 1.0 percent effective January 1, 2013.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2013, 2012, and 2011 which were used to fund post-employment benefits were \$45,975, \$72,695, and \$87,781, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE I: RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2013, there were no liabilities to be reported.

NOTE J: RESTRICTED NET POSITION

Restricted Net Position consists of the following:

HCV/HAP Equity	\$ 490,884
Restricted for Development	212,000
Loan to Beacon Pointe Tax Credit Property	290,000
	\$ 992,884

NOTE K: ECONOMIC DEPENDENCY

Both the Authority owned Housing Program and the Housing Choice Voucher Programs are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)

NOTE L: INTERCOMPANY AMOUNT DUE FROM HOUSING CHOICE VOUCHER PROGRAM TO COCC

The following summarizes changes in the intercompany amount due from the Housing Choice Voucher Program to the COC in the fiscal period:

Balance July 1, 2012	\$ 433,093
Change in Period	(55,725)
Balance June 30, 2013	<u>\$ 377,368</u>

NOTE M: IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During the fiscal year, the Authority adopted the following GASB statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-private partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The implementation of this Statement did not result in any change in the Authority's financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The implementation of this Statement did not result in any change in the Authority's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011, and have been implemented for the Authority. The Implementation of this Statement had no effect on the beginning net position of the Authority.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. This Statement enhances the comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for financial statements for periods beginning after June 5, 2011. The implementation of this Statement did not have an effect on the Authority's financial statements.

GASB Statement No. 65, *Items Previously Reporting as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. This implementation of this Statement had no effect on the financial statements of the Authority.

Supplemental Information

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 STATEMENT OF MODERNIZATION COSTS
 FOR THE YEAR ENDED JUNE 30, 2013**

Annual Contributions Contract C-5031

The total amount of modernization costs of the Capital Fund Program grants are shown below:

Annual Contribution Contract

The total number of modernization costs for the Program grants are shown below:

OH10P015501-05

Funds Approved	\$ 2,056,479
Funds Expended	2,056,479
Excess of Funds Approved	\$ 0

OH10P015501-06

Funds Approved	\$ 2,010,823
Funds Expended	2,010,823
Excess of Funds Approved	\$ 0

OH10P015501-07

Funds Approved	\$ 1,963,547
Funds Expended	1,963,547
Excess of Funds Approved	\$ 0

1. All modernization work in connection with the Capital Fund Program has been completed.
2. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
3. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2013

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	2,375,912	231,403	300,029	799,447	3,706,791		3,706,791
112 Cash - Restricted - Modernization and Development	212,000				212,000		212,000
113 Cash - Other Restricted		521,805			521,805		521,805
114 Cash - Tenant Security Deposits	129,386				129,386		129,386
115 Cash - Restricted for Payment of Current Liabilities					-		-
100 Total Cash	2,717,298	753,208	300,029	799,447	4,569,982	-	4,569,982
121 Accounts Receivable - PHA Projects					-		-
122 Accounts Receivable - HUD Other Projects	409,255				409,255		409,255
124 Accounts Receivable - Other Government		204,980			204,980		204,980
125 Accounts Receivable - Miscellaneous	31,604		1,580		33,184		33,184
126 Accounts Receivable - Tenants	94,817				94,817		94,817
126.1 Allowance for Doubtful Accounts -Tenants	-47,326				-47,326		-47,326
126.2 Allowance for Doubtful Accounts - Other	-7,500	-	-		-7,500		-7,500
127 Notes, Loans, & Mortgages Receivable - Current					-		-
128 Fraud Recovery					-		-
128.1 Allowance for Doubtful Accounts - Fraud	-				-		-
129 Accrued Interest Receivable					-		-
120 Total Receivables, Net of Allowances for Doubtful Accounts	480,850	204,980	1,580	-	687,410	-	687,410
131 Investments - Unrestricted					-		-
132 Investments - Restricted					-		-
135 Investments - Restricted for Payment of Current Liability					-		-
142 Prepaid Expenses and Other Assets	141,323	9,176		58,533	209,032		209,032
143 Inventories	158,227				158,227		158,227
143.1 Allowance for Obsolete Inventories	-15,368				-15,368		-15,368
144 Inter Program Due From				377,368	377,368	-377,368	-
145 Assets Held for Sale					-		-
150 Total Current Assets	3,482,330	967,364	301,609	1,235,348	5,986,651	-377,368	5,609,283
161 Land	3,053,562			35,425	3,088,987		3,088,987
162 Buildings	67,434,571			1,472,852	68,907,423		68,907,423
163 Furniture, Equipment & Machinery - Dwellings					-		-
164 Furniture, Equipment & Machinery - Administration	1,338,215	67,060		295,459	1,700,734		1,700,734

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2013

165 Leasehold Improvements					-		-
166 Accumulated Depreciation	-58,600,098	-66,771		-1,697,286	-60,364,155		-60,364,155
167 Construction in Progress	102,463				102,463		102,463
168 Infrastructure					-		-
160 Total Capital Assets, Net of Accumulated Depreciation	13,328,713	289	-	106,450	13,435,452	-	13,435,452
171 Notes, Loans and Mortgages Receivable - Non-Current	290,000				290,000		290,000
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					-		-
173 Grants Receivable - Non Current					-		-
174 Other Assets					-		-
176 Investments in Joint Ventures					-		-
180 Total Non-Current Assets	13,618,713	289	-	106,450	13,725,452	-	13,725,452
190 Total Assets	17,101,043	967,653	301,609	1,341,798	19,712,103	-377,368	19,334,735
311 Bank Overdraft					-		-
312 Accounts Payable <= 90 Days	454,221			127,461	581,682		581,682
313 Accounts Payable >90 Days Past Due					-		-
321 Accrued Wage/Payroll Taxes Payable	19,865	7,142		10,201	37,208		37,208
322 Accrued Compensated Absences - Current Portion					-		-
324 Accrued Contingency Liability					-		-
325 Accrued Interest Payable					-		-
331 Accounts Payable - HUD PHA Programs					-		-
332 Account Payable - PHA Projects					-		-
333 Accounts Payable - Other Government	-				-		-
341 Tenant Security Deposits	129,386				129,386		129,386
342 Deferred Revenues					-		-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	199,050				199,050		199,050
344 Current Portion of Long-term Debt - Operating Borrowings					-		-
345 Other Current Liabilities	5,350				5,350		5,350
346 Accrued Liabilities - Other					-		-
347 Inter Program - Due To		377,368			377,368	-377,368	-
348 Loan Liability - Current					-		-
310 Total Current Liabilities	807,872	384,510	-	137,662	1,330,044	-377,368	952,676

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2013

351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	190,102				190,102		190,102
352 Long-term Debt, Net of Current - Operating Borrowings					-		-
353 Non-current Liabilities - Other		30,921			30,921		30,921
354 Accrued Compensated Absences - Non Current	200,230	46,615		107,029	353,874		353,874
355 Loan Liability - Non Current					-		-
356 FASB 5 Liabilities					-		-
357 Accrued Pension and OPEB Liabilities					-		-
350 Total Non-Current Liabilities	390,332	77,536	-	107,029	574,897	-	574,897
300 Total Liabilities	1,198,204	462,046	-	244,691	1,904,941	-377,368	1,527,573
508.1 Invested In Capital Assets, Net of Related Debt	12,939,561	289	-	106,450	13,046,300		13,046,300
511.1 Restricted Net Assets	502,000	490,884	-		992,884		992,884
512.1 Unrestricted Net Assets	2,461,278	14,434	301,609	990,657	3,767,978		3,767,978
513 Total Equity/Net Assets	15,902,839	505,607	301,609	1,097,107	17,807,162	-	17,807,162
600 Total Liabilities and Equity/Net Assets	17,101,043	967,653	301,609	1,341,798	19,712,103	-377,368	19,334,735
70300 Net Tenant Rental Revenue	1,580,083				1,580,083		1,580,083
70400 Tenant Revenue - Other	31,527				31,527		31,527
70500 Total Tenant Revenue	1,611,610	-	-	-	1,611,610	-	1,611,610
70600 HUD PHA Operating Grants	5,256,643	6,077,587			11,334,230		11,334,230
70610 Capital Grants	433,744				433,744		433,744
70710 Management Fee				801,528	801,528	-801,528	-
70720 Asset Management Fee				138,720	138,720	-138,720	-
70730 Book Keeping Fee				91,105	91,105	-91,105	-
70740 Front Line Service Fee					-		-
70750 Other Fees					-		-
70700 Total Fee Revenue	-	-	-	1,031,353	1,031,353	-1,031,353	-
70800 Other Government Grants					-		-
71100 Investment Income - Unrestricted	661		193		854		854
71200 Mortgage Interest Income					-		-
71300 Proceeds from Disposition of Assets Held for Sale					-		-
71310 Cost of Sale of Assets					-		-
71400 Fraud Recovery		24,506			24,506		24,506

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2013

71500 Other Revenue	177,105	2,617,878	105,875	30,319	2,931,177		2,931,177
71600 Gain or Loss on Sale of Capital Assets	153,737				153,737		153,737
72000 Investment Income - Restricted		520			520		520
70000 Total Revenue	7,633,500	8,720,491	106,068	1,061,672	17,521,731	-1,031,353	16,490,378
91100 Administrative Salaries	384,614	375,401		470,749	1,230,764		1,230,764
91200 Auditing Fees	5,426	5,475		944	11,845		11,845
91300 Management Fee	801,528				801,528	-801,528	-
91310 Book-keeping Fee	91,105				91,105	-91,105	-
91400 Advertising and Marketing	-				-		-
91500 Employee Benefit contributions - Administrative	168,521	159,454		174,152	502,127		502,127
91600 Office Expenses	99,126	26,693		44,021	169,840		169,840
91700 Legal Expense	14,422	4,662	33,423	3,714	56,221		56,221
91800 Travel	83	897		13,469	14,449		14,449
91810 Allocated Overhead					-		-
91900 Other	194,582	8,556	20,379	66,785	290,302		290,302
91000 Total Operating - Administrative	1,759,407	581,138	53,802	773,834	3,168,181	-892,633	2,275,548
92000 Asset Management Fee	138,720				138,720	-138,720	-
92100 Tenant Services - Salaries					-		-
92200 Relocation Costs					-		-
92300 Employee Benefit Contributions - Tenant Services					-		-
92400 Tenant Services - Other	7,517				7,517		7,517
92500 Total Tenant Services	7,517	-	-	-	7,517	-	7,517
93100 Water	119,845			831	120,676		120,676
93200 Electricity	432,061			19,494	451,555		451,555
93300 Gas	202,770				202,770		202,770
93400 Fuel					-		-
93500 Labor					-		-
93600 Sewer				607	607		607
93700 Employee Benefit Contributions - Utilities					-		-
93800 Other Utilities Expense	224,070				224,070		224,070
93000 Total Utilities	978,746	-	-	20,932	999,678	-	999,678
94100 Ordinary Maintenance and Operations - Labor	740,324				740,324		740,324
94200 Ordinary Maintenance and Operations - Materials and Other	241,132			2,798	243,930		243,930
94300 Ordinary Maintenance and Operations Contracts	1,083,265	20,532		64,365	1,168,162		1,168,162

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2013

94500 Employee Benefit Contributions - Ordinary Maintenance	325,151				325,151		325,151
94000 Total Maintenance	2,389,872	20,532	-	67,163	2,477,567	-	2,477,567
95100 Protective Services - Labor					-		-
95200 Protective Services - Other Contract Costs					-		-
95300 Protective Services - Other					-		-
95500 Employee Benefit Contributions - Protective Services					-		-
95000 Total Protective Services	-	-	-	-	-	-	-
96110 Property Insurance	131,256			19,502	150,758		150,758
96120 Liability Insurance		187			187		187
96130 Workmen's Compensation		4,109			4,109		4,109
96140 All Other Insurance					-		-
96100 Total insurance Premiums	131,256	4,296	-	19,502	155,054	-	155,054
96200 Other General Expenses	2,073	4,314			6,387		6,387
96210 Compensated Absences					-		-
96300 Payments in Lieu of Taxes	-				-		-
96400 Bad debt - Tenant Rents	99,335				99,335		99,335
96500 Bad debt - Mortgages					-		-
96600 Bad debt - Other					-		-
96800 Severance Expense					-		-
96000 Total Other General Expenses	101,408	4,314	-	-	105,722	-	105,722
96710 Interest of Mortgage (or Bonds) Payable	21,061				21,061		21,061
96720 Interest on Notes Payable (Short and Long Term)					-		-
96730 Amortization of Bond Issue Costs					-		-
96700 Total Interest Expense and Amortization Cost	21,061	-	-	-	21,061	-	21,061
96900 Total Operating Expenses	5,527,987	610,280	53,802	881,431	7,073,500	-1,031,353	6,042,147
97000 Excess of Operating Revenue over Operating Expenses	2,105,513	8,110,211	52,266	180,241	10,448,231	-	10,448,231
97100 Extraordinary Maintenance	885,522				885,522		885,522
97200 Casualty Losses - Non-capitalized	49,195				49,195		49,195
97300 Housing Assistance Payments		5,860,031			5,860,031		5,860,031
97350 HAP Portability-In		2,453,312			2,453,312		2,453,312
97400 Depreciation Expense	2,234,127	3,436		15,040	2,252,603		2,252,603

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2013

97500 Fraud Losses					-		-
97600 Capital Outlays - Governmental Funds					-		-
97700 Debt Principal Payment - Governmental Funds					-		-
97800 Dwelling Units Rent Expense					-		-
90000 Total Expenses	8,696,831	8,927,059	53,802	896,471	18,574,163	-1,031,353	17,542,810
10010 Operating Transfer In	419,424				419,424		419,424
10020 Operating transfer Out	-419,424				-419,424		-419,424
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-1,063,331	-206,568	52,266	165,201	-1,052,432	-	-1,052,432
11020 Required Annual Debt Principal Payments	190,709	-	-	-	190,709		190,709
11030 Beginning Equity	16,966,170	712,175	249,343	931,906	18,859,594		18,859,594
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-				-		-
11170 Administrative Fee Equity		14,723			14,723		14,723
11180 Housing Assistance Payments Equity		490,884			490,884		490,884
11190 Unit Months Available	13,872	13,332			27,204		27,204
11210 Number of Unit Months Leased	13,015	11,889			24,904		24,904
11610 Land Purchases	-			-	-		-
11620 Building Purchases	414,860			-	414,860		414,860
11630 Furniture & Equipment - Dwelling Purchases	-			-	-		-
11640 Furniture & Equipment - Administrative Purchases	18,884			-	18,884		18,884
11650 Leasehold Improvements Purchases	-			-	-		-
11660 Infrastructure Purchases	-			-	-		-
13510 CFFP Debt Service Payments	-			-	-		-
13901 Replacement Housing Factor Funds	-			-	-		-

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ PROGRAM/TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 3,701,952
<u>Capital Fund Program Cluster</u>		
Public Housing Capital Fund Program	14.872	1,988,435
<u>Section 8 Housing Assistance Program</u>		
Housing Choice Voucher Program	14.871	6,077,587
Total U.S. Department of Housing and Urban Development		11,767,974
Total Expenditures of Federal Awards		\$ 11,767,974

The accompanying notes to this schedule are an integral part of this Schedule.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the fiscal year ending June 30, 2013.

NOTE C – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the fiscal year ended June 30, 2013.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2013.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

December 13, 2013

Butler Metropolitan Housing Authority
Butler County
4110 Hamilton-Middletown Road
Hamilton, Ohio 45011

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the **Butler Metropolitan Housing Authority**, Butler County, (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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

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

Butler Metropolitan Housing Authority
Butler County
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

December 13, 2013

Butler Metropolitan Housing Authority
Butler County
4110 Hamilton-Middletown Road
Hamilton, Ohio 45011

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the **Butler Metropolitan Housing Authority's** (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Butler Metropolitan Housing Authority's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Butler Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
FOR THE YEAR ENDED JUNE 30, 2013**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDIT RESULTS

<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(I)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(I)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(I)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(I)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(I)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(I)(vii)</i>	Major Programs (list):	Housing Choice Vouchers CFDA # 14.871
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 353,036 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

BUTLER METROPOLITAN HOUSING AUTHORITY

BUTLER 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
JANUARY 14, 2014**