

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY
Single Audit
For the Year Ended June 30, 2014**

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, 2013 through June 30, 2014. 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

February 4, 2015

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BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
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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 19, 2014

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 **Butler Metropolitan Housing Authority**, Butler County, Ohio (the Authority), as of and for the year ended June 30, 2014, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Butler Metropolitan Housing Authority, Butler County, as of June 30, 2014 and the changes in its financial position and its 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 Financial Data Schedule presented on pages 27-32 presents additional analysis as required by the United States Department of Housing and Urban Development and is 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 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 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, these schedules are fairly 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 19, 2014, 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.

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
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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.

* - Note that all amounts in the MD&A are rounded to the nearest thousand.

FINANCIAL HIGHLIGHTS

- The Authority’s net position decreased by \$474,000 (3%) during 2014. Since the Authority engages only in business-type activities, the increase is in the category of business-type net position. Net Position was \$17.33 million and \$17.81 million for FY 2014 and FY 2013 respectively.
- The business-type activity revenue decreased by \$642,000 (4%) from FY 2013. The primary reason for the decrease in revenues was decreases in subsidies provided by HUD. Total revenue was \$15.85 million and \$16.49 million for FY 2014 and FY 2013 respectively.
- The total expenses of all Authority programs decreased by \$1,221,000 (7%). The primary reasons for the decrease in expenses were drops in Maintenance Expense and HAP Expense. Total expenses were \$16.32 million and \$17.54 million for FY 2014 and FY 2013 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.

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)

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 Position Invested in Capital Assets, Net of Related Debt," 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 administrative, utilities, and 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 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, non-capital financing 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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

AUTHORITY-WIDE STATEMENT

Condensed Statement of Net Position

The following is a condensed Statement of Net Position compared to prior year.

Table 1 - Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% change</u>
Assets				
Current Assets	\$ 4,960,000	\$ 5,609,000	\$ (649,000)	-12%
Capital Assets	13,135,000	13,435,000	(300,000)	-2%
Other Noncurrent Assets	<u>615,000</u>	<u>290,000</u>	<u>325,000</u>	112%
Total Assets	<u>18,710,000</u>	<u>19,334,000</u>	<u>(624,000)</u>	-3%
Liabilities				
Current Liabilities	948,000	952,000	(4,000)	0%
Noncurrent Liabilities	<u>429,000</u>	<u>575,000</u>	<u>(146,000)</u>	-25%
Total Liabilities	<u>1,377,000</u>	<u>1,527,000</u>	<u>(150,000)</u>	-10%
Net Position				
Invested in Capital	12,944,000	13,046,000	(102,000)	-1%
Restricted	840,000	993,000	(153,000)	-15%
Unrestricted	<u>3,549,000</u>	<u>3,768,000</u>	<u>(219,000)</u>	-6%
Total Net Position	<u>\$ 17,333,000</u>	<u>\$ 17,807,000</u>	<u>\$ (474,000)</u>	-3%

Major Factors Affecting the Statement of Net Position

Current assets decreased by \$649,000 (12%). The biggest change from last year in current assets is in restricted cash in the Housing Choice Voucher program. That cash is used by the Authority to make rental assistance payments under the Voucher program and the reduction from the prior year reflects changes HUD has made in the way they fund the program to minimize the amount of unspent cash provided to program administrators.

Capital assets decreased minimally (about 2%). Current year capital additions were outpaced by the increase in accumulated depreciation and disposals.

Other Noncurrent Assets increased by \$325,000 (112%). That is an increase in the amount being loaned to a development partner related to the multi-lender mixed financed project Beacon Pointe. Butler MHA 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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

Current liabilities were virtually unchanged. Noncurrent liabilities decreased by \$146,000 (about 25%). The long term debt the agency has will be paid in full in the coming period so the full loan balance at 6/30/14 is reported as a current liability, and none of it as non-current.

Net Position decreased by \$474,000. 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.

Table 2 - Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% change</u>
Revenues				
Tenant Revenues	\$ 1,533,000	\$ 1,612,000	\$ (79,000)	-5%
Subsidies	9,798,000	11,334,000	(1,536,000)	-14%
Capital Grants	1,638,000	434,000	1,204,000	277%
Interest Income	1,000	1,000	0	0%
Other Income	2,878,000	3,109,000	(231,000)	-7%
Total Revenues	<u>15,848,000</u>	<u>16,490,000</u>	<u>(642,000)</u>	-4%
Expenses				
Administrative	2,120,000	2,276,000	(156,000)	-7%
Tenant Services	5,000	7,000	(2,000)	-29%
Utilities	1,027,000	1,000,000	27,000	3%
Maintenance	2,820,000	3,412,000	(592,000)	-17%
General & Interest	417,000	282,000	135,000	48%
HAP	7,771,000	8,313,000	(542,000)	-7%
Depreciation	2,162,000	2,253,000	(91,000)	-4%
Total Expenses	<u>16,322,000</u>	<u>17,543,000</u>	<u>(1,221,000)</u>	-7%
Change in Net Position	<u>\$ (474,000)</u>	<u>\$ (1,053,000)</u>	<u>\$ 579,000</u>	-55%

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

Revenues dropped by about \$642,000 (4%) from the prior year. Of that, subsidies and grants from HUD dropped by \$332,000 in general reflecting cuts at the Federal level due to the tight budget situation in Washington. Other Income also dropped by \$231,000. In 2013 that revenue category was unusually high because the Authority realized a sizable gain from the sale of a property. That is a very unusual occurrence and so a similar gain was not realized again in 2104.

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

Expenses decreased by \$1,221,000 (7%). The largest drops were in Maintenance and HAP expense. Contributing in part to the reduction in maintenance expense was that more of the Capital Fund Program activity in the current period was for capital work items and so not expensed. The HAP expense is related to reduction in the lease up rate for the Housing Choice Voucher program. Less funding from HUD to make rental assistance payments under that program was available to the agency and so the agency cut related spending.

Capital Assets

As of year-end, the Authority had \$13.1 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 \$300,000 (2%) from the previous fiscal year. Additions to Capital Assets in the period were outpaced by depreciation on Capital Assets in the period.

The following reconciliation summarizes the change in Capital Assets.

Table 3 - Condensed Changes in Capital Assets

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% change</u>
Capital Assets				
Land	\$ 3,089,000	\$ 3,089,000	\$ 0	0%
Buildings and Improvements	70,649,000	68,907,000	1,742,000	3%
Equipment	1,720,000	1,701,000	19,000	1%
Construction in Progress	203,000	102,000	101,000	99%
Accumulated Depreciation	(62,526,000)	(60,364,000)	(2,162,000)	4%
Total Capital Assets	13,135,000	13,435,000	(300,000)	-2%

Refer to Note D for additional information regarding capital assets.

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, 2013	\$ 389,152
Retirements	<u>(198,361)</u>
Notes Payable at June 30, 2014	<u>\$ 190,791</u>

Refer to Note F for additional information regarding debt.

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(CONTINUED)**

ECONOMIC FACTORS

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the federal budget than by local economic conditions. The likelihood of improvements in the level of funding from DHUD for agency programs is not favorable. Cuts in HUD funding for agency programs eventually means cuts in what Butler MHA can do for its clients.

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 Housing 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, 2014

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 3,725,955
Cash and Cash Equivalents - Restricted	374,532
Accounts Receivable, Net	510,957
Prepaid Expenses	218,342
Inventories	130,371
Total Current Assets	4,960,157

Noncurrent Assets

Capital Assets:

Land	3,088,987
Buildings and Improvements	70,649,031
Furniture and Equipment	1,719,916
Construction-in-Progress	203,155
	75,661,089

Less: Accumulated Depreciation	(62,526,045)
Total Capital Assets, Net	13,135,044

Notes Receivable	615,000
Total Noncurrent Assets	13,750,044

TOTAL ASSETS	\$ 18,710,201
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 579,550
Accrued Liabilities	48,554
Long-Term Liabilities - Current Portion	199,791
Tenant Security Deposits/Escrow deposits	120,799
Total Current Liabilities	948,694

Noncurrent Liabilities

Accrued Compensated Absences	399,855
Trust Deposit Liabilities	28,798
Total Noncurrent Liabilities	428,653

TOTAL LIABILITIES	1,377,347
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NET POSITION

Net Investment in Capital Assets	12,944,253
Restricted Net Position	839,935
Unrestricted Net Position	3,548,666
TOTAL NET POSITION	17,332,854

TOTAL LIABILITIES AND NET POSITION	\$ 18,710,201
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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, 2014

<u>Operating Revenue</u>	
Tenant Revenue	\$ 1,532,784
Governmental Grants and Subsidy	9,798,300
Other Income	2,878,571
Total Operating Revenue	<u>14,209,655</u>
<u>Operating Expenses</u>	
Administration	2,120,192
Tenant Services	5,485
Utilities	1,027,576
Maintenance and Operation	2,818,604
Protective Services	1,305
General Expense	403,637
Housing Assistance Payments	7,770,823
Depreciation and Amortization	2,161,891
Total Operating Expenses	<u>16,309,513</u>
Net Operating Income (Loss)	<u>(2,099,858)</u>
<u>Nonoperating Revenues/(Expenses)</u>	
Investment Income	1,224
Interest Expense	(13,216)
Net Nonoperating Revenues/(Expenses)	<u>(11,992)</u>
Net Income/(Loss) before Capital Grants	<u>(2,111,850)</u>
Capital Grants	1,637,542
Increase (Decrease) in Net Position	<u>(474,308)</u>
Total Net Position - Beginning	<u>17,807,162</u>
Total Net Position - Ending	<u>\$ 17,332,854</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, 2014

<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 4,409,053
Governmental Grants and Subsidy - Operations	9,967,203
Payments for Operations	(4,261,769)
Payments for Housing Assistance	(7,770,823)
Payments for Administration	(2,053,866)
Net Cash Provided from Operating Activities	<u>289,798</u>
 <u>Cash Flows from Investing Activities</u>	
Notes Receivable	(325,000)
Interest Received	1,224
Net Cash Used by Investing Activities	<u>(323,776)</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Grant Revenue - Capital Grants	1,637,542
Acquisition of Capital Assets - Capital Grants	(1,861,482)
Payment of Interest	(13,216)
Payment on Mortgage Notes payable	(198,361)
Net Cash Used by Capital and Related Financing Activities	<u>(435,517)</u>
Net Increase (Decrease) in Cash	(469,495)
 Cash at Beginning of Period	 4,569,982
Cash at End of Period	<u><u>\$ 4,100,487</u></u>
 <u>Cash Flows from Operating Activities</u>	
Net Income (Loss) from Operations	\$ (2,099,858)
Adjustments to Reconcile Net Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	2,161,891
Decrease (Increase) in Accounts Receivable	176,453
Decrease (Increase) in Prepaid Expenses	(9,310)
Decrease (Increase) in Inventories	12,488
Increase (Decrease) in Accounts Payable	(2,132)
Increase (Decrease) in Accrued Liabilities	5,996
Increase (Decrease) in Compensated Absences	54,981
Increase (Decrease) in Security Deposits/Escrow Deposits	(10,711)
Net Cash Provided from Operating Activities	<u><u>\$ 289,798</u></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, 2014

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. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

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 Government 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 Government 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.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

3. Reporting Entity (Continued)

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.

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 Commissioners 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*** – The Authority rents units it owns to low-income households. The program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy to enable the Authority to rent the units based on 30% of household income.
- 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*** – Various other activities of the Authority.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

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.

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.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

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.

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.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

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

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 June 30, 2014, 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.

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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)**

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

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.

Subsides 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, 2014, the Authority's deposits had a carrying amount of \$4,100,487 (including \$1,200 of petty cash) and a bank balance of \$4,260,673. Of the bank balances held in financial institutions, \$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's 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, 2014
 (CONTINUED)**

NOTE B: CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents at June 30, 2014, consisted of the following:

<u>Cash and Cash Equivalents</u>	
Checking - Unrestricted	\$ 3,724,755
Cash - Restricted	374,532
Petty Cash	1,200
	<u>\$ 4,100,487</u>
<u>Restricted Cash and Cash Equivalents</u>	
Tenant Security Deposits	\$ 120,799
FSS Escrow	28,798
HCV HAP Equity/Net Restricted Assets	12,741
Restricted for Development	212,194
	<u>\$ 374,532</u>

NOTE C: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consisted of the following:

Tenants (Net of Allowance of \$37,999)	\$ 52,851
HUD	231,008
Miscellaneous	11,916
Other Government	215,182
	<u>\$ 510,957</u>

The above receivable balance excludes \$326,215 of interfund balances that have been eliminated from the consolidated financial statements at June 30, 2014.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE D: CAPITAL ASSETS

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2014:

	Balance 6/30/2013	Reclasses	Additions	Deletions	Balance 6/30/2014
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 3,088,987	\$ 0	\$ 0	\$ 0	\$ 3,088,987
Construction in Progress	102,463	(102,463)	203,155	0	203,155
Total Capital Assets Not Being Depreciated	3,191,450	(102,463)	203,155	0	3,292,142
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	68,907,423	102,463	1,639,145	0	70,649,031
Furniture and Equipment	1,700,734	0	19,182	0	1,719,916
Subtotal Capital Assets Being Depreciated	70,608,157	102,463	1,658,327	0	72,368,947
<u>Accumulated Depreciation</u>					
Buildings and Improvements	(58,876,144)	0	(2,111,103)	0	(60,987,247)
Furniture and Equipment	(1,488,010)	0	(50,788)	0	(1,538,798)
Subtotal Accumulated Depreciation	(60,364,154)	0	(2,161,891)	0	(62,526,045)
Depreciable Assets, Net	10,244,003	102,463	(503,564)	0	9,842,902
Total Capital Assets, Net	\$ 13,435,453	\$ 0	\$ (300,409)	\$ 0	\$ 13,135,044

NOTE E: NOTE RECEIVABLE

Mixed Finance Construction Loan

The Authority is loaning funds to a development partner in conjunction with a multi-lender mixed finance arrangement for construction of the Beacon Pointe development. Repayment will be 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, 2014, the Note Receivable balance is \$615,000.

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 Statements 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, 2014
(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, 2014, is \$190,791.

A summary of future debt comments is as follows:

For the Year Ended June 30	Principal	Interest	Total Payments
2015	\$ 190,791	\$ 4,019	\$ 194,810
Totals	\$ 190,791	\$ 4,019	\$ 194,810

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

	Balance July 1, 2013	Additions	Deletions	Balance July 1, 2014	Current Portion
Energy Performance Debt	\$ 389,152	\$ 0	\$ (198,361)	\$ 190,791	\$ 190,791
Compensated Absences	353,874	117,852	(62,871)	408,855	9,000
FSS Escrows	30,921	5,535	(7,658)	28,798	0
Total Restricted Net Assets	<u>\$ 773,947</u>	<u>\$ 123,387</u>	<u>\$ (268,890)</u>	<u>\$ 628,444</u>	<u>\$ 199,791</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, 2014
(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 2014, 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, 2014, 2013, and 2012, were \$255,736, \$257,460, and \$264,386, 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.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE H: POST-EMPLOYMENT BENEFITS (Continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2014, 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 Board of Trustees 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 1.0 percent for calendar year 2013. Effective January 1, 2014, the portion of the employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Board of Trustees 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, 2014, 2013, and 2012 which were used to fund post-employment benefits were \$27,400, \$45,975, and \$72,695, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0 percent of the employer contributions toward the health care fund after the end of the transition period.

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, 2014, there were no liabilities to be reported.

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014
 (CONTINUED)**

NOTE J: RESTRICTED NET POSITION

HCV/HAP Equity	\$ 12,741
Restricted for Development	212,194
Loan to Beacon Pointe Tax Credit Property	<u>615,000</u>
	<u>\$ 839,935</u>

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.

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 COCC in the fiscal period:

Balance July 1, 2013	\$ 377,368
Change in Period	<u>(51,153)</u>
Balance June 30, 2014	<u>\$ 326,215</u>

Intercompany balances are eliminated from the Statement of Net Position.

NOTE M: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

NOTE N: IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

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

For 2014, the Authority has implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*.

BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE N: IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS (Continued)

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012, and have been implemented by the Authority.

The objective of GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Authority.

Supplemental Information

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2014

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	2,288,363	185,261	277,371	974,960	3,725,955		3,725,955
112 Cash - Restricted - Modernization and Development	212,194				212,194		212,194
113 Cash - Other Restricted		41,539			41,539		41,539
114 Cash - Tenant Security Deposits	120,799				120,799		120,799
115 Cash - Restricted for Payment of Current Liabilities					-		-
100 Total Cash	2,621,356	226,800	277,371	974,960	4,100,487	-	4,100,487
121 Accounts Receivable - PHA Projects					-		-
122 Accounts Receivable - HUD Other Projects				231,008	231,008		231,008
124 Accounts Receivable - Other Government		215,182			215,182		215,182
125 Accounts Receivable - Miscellaneous	10,651		1,265		11,916		11,916
126 Accounts Receivable - Tenants	90,850				90,850		90,850
126.1 Allowance for Doubtful Accounts -Tenants	-37,999				-37,999		-37,999
126.2 Allowance for Doubtful Accounts - Other					-		-
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	63,502	215,182	1,265	231,008	510,957	-	510,957
131 Investments - Unrestricted					-		-
132 Investments - Restricted					-		-
135 Investments - Restricted for Payment of Current Liability					-		-
142 Prepaid Expenses and Other Assets	115,317	8,543		94,482	218,342		218,342
143 Inventories	145,673				145,673		145,673
143.1 Allowance for Obsolete Inventories	-15,302				-15,302		-15,302
144 Inter Program Due From				326,215	326,215	-326,215	-
145 Assets Held for Sale					-		-
150 Total Current Assets	2,930,546	450,525	278,636	1,626,665	5,286,372	-326,215	4,960,157
161 Land	3,053,562			35,425	3,088,987		3,088,987
162 Buildings	69,176,179			1,472,852	70,649,031		70,649,031
163 Furniture, Equipment & Machinery - Dwellings					-		-
164 Furniture, Equipment & Machinery - Administration	1,357,397	67,060		295,459	1,719,916		1,719,916

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2014

165 Leasehold Improvements					-		-
166 Accumulated Depreciation	-60,746,859	-67,060		-1,712,126	-62,526,045		-62,526,045
167 Construction in Progress	203,155				203,155		203,155
168 Infrastructure					-		-
160 Total Capital Assets, Net of Accumulated Depreciation	13,043,434	-	-	91,610	13,135,044	-	13,135,044
171 Notes, Loans and Mortgages Receivable - Non-Current	615,000				615,000		615,000
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	13,658,434	-	-	91,610	13,750,044	-	13,750,044
190 Total Assets	16,588,980	450,525	278,636	1,718,275	19,036,416	-326,215	18,710,201
200 Deferred Outflow of Resources					-		-
290 Total Assets and Deferred Outflow of Resources	16,588,980	450,525	278,636	1,718,275	19,036,416	-326,215	18,710,201
311 Bank Overdraft					-		-
312 Accounts Payable <= 90 Days	271,362	17,937		251,228	540,527		540,527
313 Accounts Payable >90 Days Past Due					-		-
321 Accrued Wage/Payroll Taxes Payable	20,465	9,569		18,520	48,554		48,554
322 Accrued Compensated Absences - Current Portion	9,000				9,000		9,000
324 Accrued Contingency Liability					-		-
325 Accrued Interest Payable					-		-
331 Accounts Payable - HUD PHA Programs		858			858		858
332 Account Payable - PHA Projects					-		-
333 Accounts Payable - Other Government	-				-		-
341 Tenant Security Deposits	120,799				120,799		120,799
342 Deferred Revenues					-		-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	190,791				190,791		190,791
344 Current Portion of Long-term Debt - Operating Borrowings					-		-
345 Other Current Liabilities					-		-
346 Accrued Liabilities - Other	38,165				38,165		38,165
347 Inter Program - Due To		326,215			326,215	-326,215	-

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2014

348 Loan Liability - Current					-		-
310 Total Current Liabilities	650,582	354,579	-	269,748	1,274,909	-326,215	948,694
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					-		-
352 Long-term Debt, Net of Current - Operating Borrowings					-		-
353 Non-current Liabilities - Other		28,798			28,798		28,798
354 Accrued Compensated Absences - Non Current	230,760	54,407		114,688	399,855		399,855
355 Loan Liability - Non Current					-		-
356 FASB 5 Liabilities					-		-
357 Accrued Pension and OPEB Liabilities					-		-
350 Total Non-Current Liabilities	230,760	83,205	-	114,688	428,653	-	428,653
300 Total Liabilities	881,342	437,784	-	384,436	1,703,562	-326,215	1,377,347
400 Deferred Intflow of Resources					-		-
508.4 Net Investment in Capital Assets	12,852,643			91,610	12,944,253		12,944,253
511.1 Restricted Net Position	827,194	12,741			839,935		839,935
512.1 Unrestricted Net Position	2,027,801		278,636	1,242,229	3,548,666		3,548,666
513 Total Equity/Net Assets	15,707,638	12,741	278,636	1,333,839	17,332,854	-	17,332,854
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	16,588,980	450,525	278,636	1,718,275	19,036,416	-326,215	18,710,201
70300 Net Tenant Rental Revenue	1,505,740				1,505,740		1,505,740
70400 Tenant Revenue - Other	27,044				27,044		27,044
70500 Total Tenant Revenue	1,532,784	-	-	-	1,532,784	-	1,532,784
70600 HUD PHA Operating Grants	4,506,343	5,291,957			9,798,300		9,798,300
70610 Capital Grants	1,637,542				1,637,542		1,637,542
70710 Management Fee				830,835	830,835	-830,835	-
70720 Asset Management Fee				134,880	134,880	-134,880	-
70730 Book Keeping Fee				98,182	98,182	-98,182	-
70740 Front Line Service Fee					-		-
70750 Other Fees					-		-
70700 Total Fee Revenue	-	-	-	1,063,897	1,063,897	-1,063,897	-

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2014

70800 Other Government Grants					-		-
71100 Investment Income - Unrestricted	645		286	99	1,030		1,030
71200 Mortgage Interest Income					-		-
71300 Proceeds from Disposition of Assets Held for Sale					-		-
71310 Cost of Sale of Assets					-		-
71400 Fraud Recovery		18,984			18,984		18,984
71500 Other Revenue	119,398	2,610,782	6,905	122,502	2,859,587		2,859,587
71600 Gain or Loss on Sale of Capital Assets					-		-
72000 Investment Income - Restricted	194				194		194
70000 Total Revenue	7,796,906	7,921,723	7,191	1,186,498	16,912,318	-1,063,897	15,848,421
91100 Administrative Salaries	312,985	338,550		478,535	1,130,070		1,130,070
91200 Auditing Fees	5,567	5,475		827	11,869		11,869
91300 Management Fee	773,926	56,909			830,835	-830,835	-
91310 Book-keeping Fee	98,182				98,182	-98,182	-
91400 Advertising and Marketing	-				-		-
91500 Employee Benefit contributions - Administrative	143,228	166,030		169,549	478,807		478,807
91600 Office Expenses	114,078	28,682		112,837	255,597		255,597
91700 Legal Expense	1,532	191	10,378	11,789	23,890		23,890
91800 Travel		1,093		4,900	5,993		5,993
91810 Allocated Overhead					-		-
91900 Other	94,816	27,248	19,786	72,116	213,966		213,966
91000 Total Operating - Administrative	1,544,314	624,178	30,164	850,553	3,049,209	-929,017	2,120,192
92000 Asset Management Fee	134,880				134,880	-134,880	-
92100 Tenant Services - Salaries					-		-
92200 Relocation Costs					-		-
92300 Employee Benefit Contributions - Tenant Services					-		-
92400 Tenant Services - Other	5,485				5,485		5,485
92500 Total Tenant Services	5,485	-	-	-	5,485	-	5,485
93100 Water	121,988			312	122,300		122,300
93200 Electricity	442,560			23,947	466,507		466,507
93300 Gas	221,093			225	221,318		221,318
93400 Fuel					-		-
93500 Labor					-		-
93600 Sewer					-		-
93700 Employee Benefit Contributions - Utilities					-		-

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2014

93800 Other Utilities Expense	217,451				217,451		217,451
93000 Total Utilities	1,003,092	-	-	24,484	1,027,576	-	1,027,576
94100 Ordinary Maintenance and Operations - Labor	774,808				774,808		774,808
94200 Ordinary Maintenance and Operations - Materials and Other	266,815			2,177	268,992		268,992
94300 Ordinary Maintenance and Operations Contracts	1,165,400	3,203		43,514	1,212,117		1,212,117
94500 Employee Benefit Contributions - Ordinary Maintenance	358,455				358,455		358,455
94000 Total Maintenance	2,565,478	3,203	-	45,691	2,614,372	-	2,614,372
95100 Protective Services - Labor					-		-
95200 Protective Services - Other Contract Costs	1,305				1,305		1,305
95300 Protective Services - Other					-		-
95500 Employee Benefit Contributions - Protective Services					-		-
95000 Total Protective Services	1,305	-	-	-	1,305	-	1,305
96110 Property Insurance	234,363			6,539	240,902		240,902
96120 Liability Insurance		203			203		203
96130 Workmen's Compensation					-		-
96140 All Other Insurance					-		-
96100 Total insurance Premiums	234,363	203	-	6,539	241,105	-	241,105
96200 Other General Expenses		8,101			8,101		8,101
96210 Compensated Absences	39,532	7,792		7,659	54,983		54,983
96300 Payments in Lieu of Taxes					-		-
96400 Bad debt - Tenant Rents	99,448				99,448		99,448
96500 Bad debt - Mortgages					-		-
96600 Bad debt - Other					-		-
96800 Severance Expense					-		-
96000 Total Other General Expenses	138,980	15,893	-	7,659	162,532	-	162,532
96710 Interest of Mortgage (or Bonds) Payable	13,216				13,216		13,216
96720 Interest on Notes Payable (Short and Long Term)					-		-
96730 Amortization of Bond Issue Costs					-		-
96700 Total Interest Expense and Amortization Cost	13,216	-	-	-	13,216	-	13,216
96900 Total Operating Expenses	5,641,113	643,477	30,164	934,926	7,249,680	-1,063,897	6,185,783
97000 Excess of Operating Revenue over Operating Expenses	2,155,793	7,278,246	-22,973	251,572	9,662,638	-	9,662,638

Butler Metropolitan Housing Authority
Butler County
Financial Data Schedule
June 30, 2014

97100 Extraordinary Maintenance	186,605				186,605		186,605
97200 Casualty Losses - Non-capitalized	17,627				17,627		17,627
97300 Housing Assistance Payments		5,281,681			5,281,681		5,281,681
97350 HAP Portability-In		2,489,142			2,489,142		2,489,142
97400 Depreciation Expense	2,146,762	289		14,840	2,161,891		2,161,891
97500 Fraud Losses					-		-
97600 Capital Outlays - Governmental Funds					-		-
97700 Debt Principal Payment - Governmental Funds					-		-
97800 Dwelling Units Rent Expense					-		-
90000 Total Expenses	7,992,107	8,414,589	30,164	949,766	17,386,626	-1,063,897	16,322,729
10010 Operating Transfer In	519,032				519,032		519,032
10020 Operating transfer Out	-519,032				-519,032		-519,032
10091 Inter Project Excess Cash Transfer In	140,743				140,743		140,743
10092 Inter Project Excess Cash Transfer Out	-140,743				-140,743		-140,743
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-195,201	-492,866	-22,973	236,732	-474,308	-	-474,308
11020 Required Annual Debt Principal Payments	198,361	-	-	-	198,361		198,361
11030 Beginning Equity	15,902,839	505,607	301,609	1,097,107	17,807,162		17,807,162
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-				-		-
11170 Administrative Fee Equity					-		-
11180 Housing Assistance Payments Equity		12,741			12,741		12,741
11190 Unit Months Available	13,488	13,332			26,820		26,820
11210 Number of Unit Months Leased	13,069	10,840			23,909		23,909
11610 Land Purchases	-			-	-		-
11620 Building Purchases	1,619,359			-	1,619,359		1,619,359
11630 Furniture & Equipment - Dwelling Purchases	5,453			-	5,453		5,453
11640 Furniture & Equipment - Administrative Purchases	15,729			-	15,729		15,729
11650 Leasehold Improvements Purchases	-			-	-		-
11660 Infrastructure Purchases	-			-	-		-
13510 CFFP Debt Service Payments	-			-	-		-
13901 Replacement Housing Factor Funds	325,000			-	325,000		325,000

**BUTLER METROPOLITAN HOUSING AUTHORITY
 BUTLER COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014**

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	\$ 3,688,924
<u>Capital Fund Program Cluster</u>		
Public Housing Capital Fund Program	14.872	2,454,961
<u>Section 8 Housing Assistance Program</u>		
Housing Choice Voucher Program	14.871	5,291,957
Total U.S. Department of Housing and Urban Development		11,435,842
Total Expenditures of Federal Awards		\$ 11,435,842

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, 2014

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, 2014.

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, 2014.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2014.

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 19, 2014

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 **Butler Metropolitan Housing Authority**, Butler County, (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

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.



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

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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 19, 2014

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 each of the Butler Metropolitan Housing Authority's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs 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 programs. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2014.

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.



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

**BUTLER METROPOLITAN HOUSING AUTHORITY
BUTLER COUNTY, OHIO
FOR THE YEAR ENDED JUNE 30, 2014**

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

1. SUMMARY OF AUDITOR'S RESULTS
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<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):	Low Rent Public Housing Program-CFDA #14.850 Public Housing Capital Fund Program-CFDA #14.872
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$343,075 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

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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
FEBRUARY 17, 2015**