

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO**

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Commissioners
Butler Metropolitan Housing Authority
4110 Hamilton-Middletown Road
Hamilton, Ohio 45012

We have reviewed the *Independent Auditor's Report* of the Butler Metropolitan Housing Authority, Butler County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The 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

January 14, 2011

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**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2010**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Butler Metropolitan Housing Authority
Hamilton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Butler Metropolitan Housing Authority, Ohio as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Butler Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Butler Metropolitan Housing Authority, Ohio, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2010, on our consideration of the Butler Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Butler Metropolitan Housing Authority, Ohio's financial statements as a whole. The accompanying Supplemental Financial Data Schedules are presented for additional analysis and are not a required part of the basic financial statements of the Butler Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 basic financial statements. The above noted schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements taken as a whole.


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 23, 2010

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)**

The management of the Butler Metropolitan Housing Authority (the Authority) offers the readers of the financial statements this narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2010. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the current fiscal year by \$17,212,416 (net assets) as opposed to \$16,209,223 for the prior fiscal year.
- The Authority's cash and investments balance as of the close of the current fiscal year was \$2,391,583, representing an increase of \$582,568 from the prior fiscal year.
- The Authority had total revenues of \$14,217,677 and total expenses of \$13,214,485 for the current fiscal year.
- The Authority expended \$1,855,125 in Capital Grant and ARRA funding for capital improvements to the Public Housing units.

Required Financial Statements

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Assets (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year's revenues, expenses, and changes in net assets are accounted for in the Statement of Revenues, Expenses, and Net Assets. This statement measures the success of the Authority's operations over the past fiscal year.

The Statement of Cash Flows is to provide information about the Authority's cash receipts and disbursement during the reporting period. The statement reports net changes in cash resulting from operations.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010 (Continued)
(Unaudited)**

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses, and Net Assets report information about the Authority's activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority's Statement of Net Assets is presented in Table 1.

Table 1 - Combined Statement of Net Assets

	2010	2009	Total Change	% Change
<u>Assets</u>				
Current Assets	\$ 2,817,347	\$ 2,229,023	\$ 588,324	26.39 %
Capital & Other Assets	<u>16,372,369</u>	<u>16,265,683</u>	<u>106,686</u>	0.66 %
Total Assets	<u>\$ 19,189,716</u>	<u>\$ 18,494,706</u>	<u>\$ 695,010</u>	3.76 %
<u>Liabilities</u>				
Current Liabilities	\$ 702,069	\$ 1,151,887	\$ (449,818)	(39.05)%
Non-Current Liabilities	<u>1,275,231</u>	<u>1,133,596</u>	<u>141,635</u>	12.49 %
Total Liabilities	<u>1,977,300</u>	<u>2,285,483</u>	<u>(308,183)</u>	(13.48)%
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	15,115,164	14,833,864	281,300	1.90 %
Restricted Net Assets	534,309	0	534,309	100.00 %
Unrestricted Net Assets	<u>1,562,943</u>	<u>1,375,359</u>	<u>187,584</u>	13.69 %
Total Net Assets	<u>17,212,416</u>	<u>16,209,223</u>	<u>1,003,193</u>	6.19 %
Total Liabilities and Net Assets	<u>\$ 19,189,716</u>	<u>\$ 18,494,706</u>	<u>\$ 695,010</u>	3.76 %

As illustrated in the Combined Statement of Net Assets, the overall Net Assets of the Authority increased by \$1,003,193. The "Invested in Capital Assets" increased by \$281,300; Unrestricted Net Assets increased by \$187,584; and Restricted Net Assets increased by \$534,309. The increase in Invested in Capital Assets was the result of capital additions exceeding depreciation expense. Restricted Net Assets increased due to more HAP funding received than expended. Unrestricted Net Assets increased due to operations.

While the Statement of Net Assets shows the change in financial position, the Statement of Revenues, Expenses, and Net Assets breaks down the Authority's revenues and expenses further. Table 2, which follows, provides a combined statement of these changes.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)**

Table 2- Combined Statement of Revenues, Expenses and Change in Net Assets

	2010	2009	Total Change	% Change
Revenue				
Tenant Revenue	\$ 1,726,596	\$ 1,604,794	\$ 121,802	7.59 %
Grant Funding	12,187,345	10,839,027	1,348,318	12.44 %
Other Income	303,737	325,239	(21,502)	(6.61)%
Total Revenue	<u>14,217,678</u>	<u>12,769,060</u>	<u>1,448,618</u>	11.34 %
Expenses				
Administration	2,373,217	2,316,609	56,608	2.44 %
Tenant Services	934	3,162	(2,228)	(70.46)%
Utilities	1,026,958	1,013,530	13,428	1.32 %
Maintenance	2,183,773	2,355,242	(171,469)	(7.28)%
Protective Services	2,020	275	1,745	634.55 %
General Expense	475,398	394,968	80,430	20.36 %
Housing Assistance Payments	5,403,746	5,824,902	(421,156)	(7.23)%
Depreciation	1,748,439	1,819,796	(71,357)	(3.92)%
Total Expenses	<u>13,214,485</u>	<u>13,728,484</u>	<u>(513,999)</u>	(3.74)%
Change in Net Assets	1,003,193	(959,424)	1,962,617	(204.56)%
Beginning Net Assets	<u>16,209,223</u>	<u>17,168,647</u>	<u>(959,424)</u>	(5.59)%
Ending Net Assets	<u>\$ 17,212,416</u>	<u>\$ 16,209,223</u>	<u>\$ 1,003,193</u>	6.19 %

Table 3 provides the reader with a Statement of Revenues, Expenses, and Net Assets by program.

**Table 3 - Combined Statement of Revenues, Expenses, and Change in Net Assets -
by Program
Fiscal Year Ended June 30, 2010**

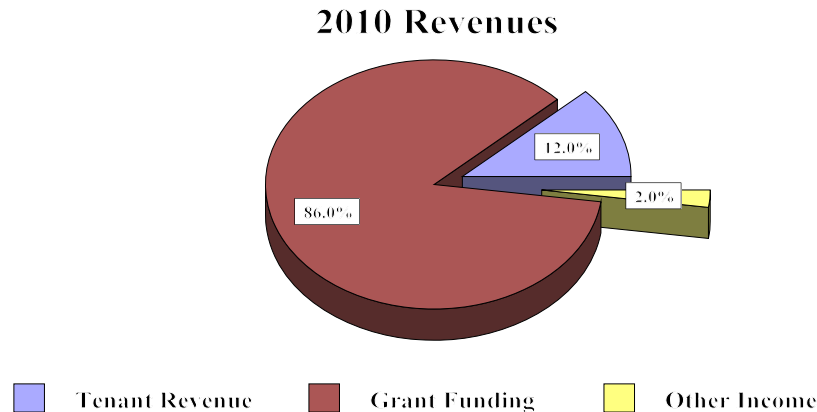
	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Capital Fund	Total
Revenue					
Tenant Revenue	\$ 0	\$ 1,726,596	\$ 0	\$ 0	\$ 1,726,596
Grant Funding	0	3,433,051	6,523,783	2,230,511	12,187,345
Other Income	96,376	67,421	139,940	0	303,737
Total Revenue	<u>96,376</u>	<u>5,227,068</u>	<u>6,663,723</u>	<u>2,230,511</u>	<u>14,217,678</u>
Expenses					
Administration	24,994	1,626,911	540,365	180,947	2,373,217
Tenant Services	0	934	0	0	934
Utilities	0	1,026,958	0	0	1,026,958
Maintenance	18,722	1,976,935	3,165	184,951	2,183,773
Protective Services	0	1,740	280	0	2,020
General Expense	31,204	440,193	4,001	0	475,398
Housing Assistance Payments	0	0	5,403,746	0	5,403,746
Depreciation	34,982	1,513,740	4,230	195,487	1,748,439
Total Expenses	<u>109,902</u>	<u>6,587,411</u>	<u>5,955,787</u>	<u>561,385</u>	<u>13,214,485</u>
Change in Net Assets	(13,526)	(1,360,343)	707,936	1,669,126	1,003,193
Beginning Net Assets	(46,639)	10,141,112	(145,361)	6,260,111	16,209,223
Operating Transfers	0	9,488	0	(9,488)	0
Ending Net Assets	<u>\$ (60,165)</u>	<u>\$ 8,790,257</u>	<u>\$ 562,575</u>	<u>\$ 7,919,749</u>	<u>\$ 17,212,416</u>

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)**

REVENUES

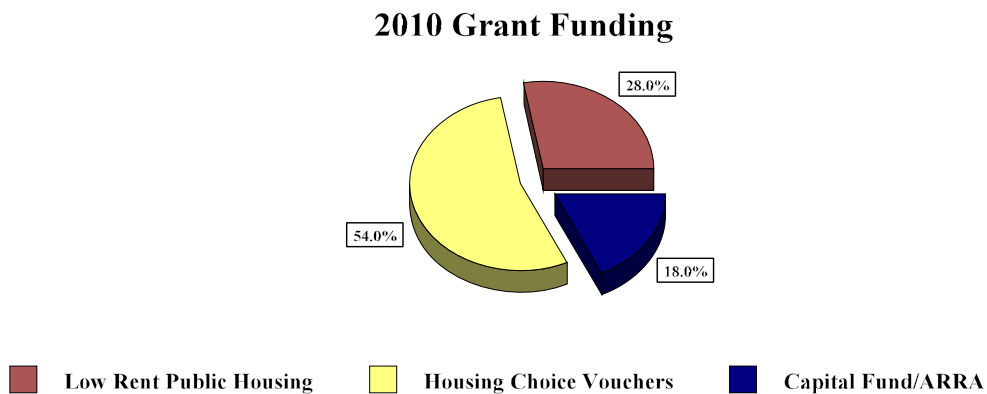
In reviewing the Statement of Revenues, Expenses, and Net Assets, please note that 86 percent of the Authority's revenues are derived from grants from HUD and others. The Authority received revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges of 12 percent of total revenue. Other Revenue, including Interest from Investments, comprise the remaining 2 percent. Compared to fiscal year ended June 30, 2009, revenues had an overall increase of \$1,448,618 (11.34 percent). HUD Grant Funding increased and Rent Revenue increased as well. Other Income decreased primarily due to reduced interest earnings on investments.

Tenant Revenue - Tenant Revenue increased from \$1,604,794, to \$1,726,596, an increase of



\$121,802 (7.59 percent).

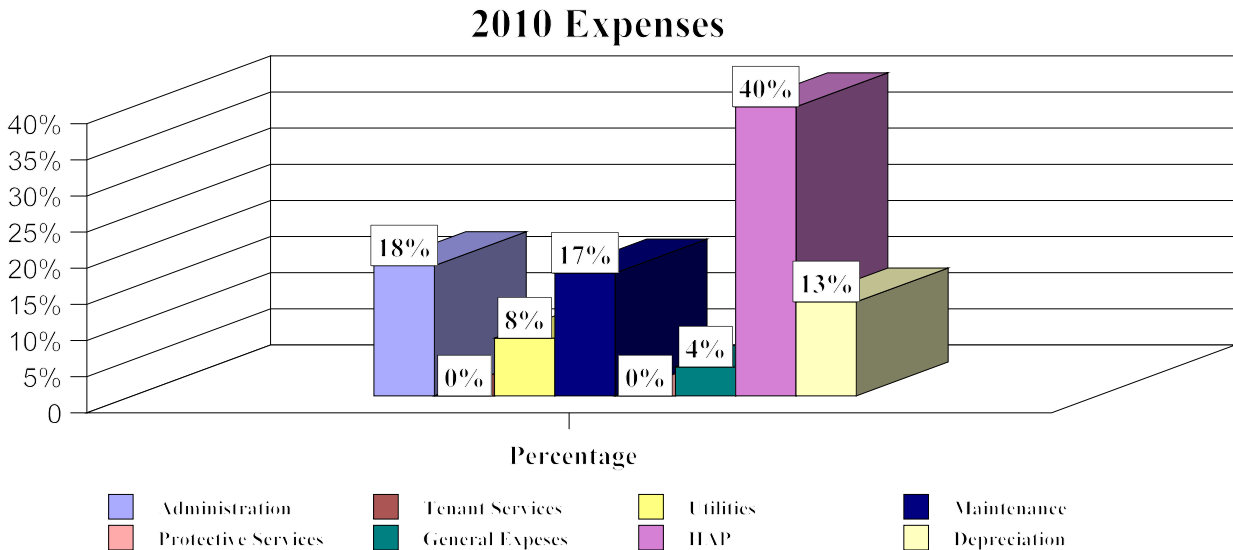
Program Grants/Subsidies - Grant Revenue increased \$1,348,318 (12.44 percent) compared to the previous year. The largest part of this increase was in ARRA funding.



**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)**

EXPENSES

The Authority experienced a decrease in expenses for the current year from \$13,728,484 to \$13,214,485 or \$513,999 (3.74 percent). The highlights of the expenses for the current year are as follows:



Administrative - Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2009, administrative costs increased by \$56,608 (2.44 percent), due primarily to increased soft costs in the grants.

Tenant Services - Tenant Services costs include all costs incurred by the Authority to provide social services to the residents. Compared to 2009, Tenant Services costs decreased to \$934 due to no meaningful relocation payments in the Capital Fund Program in 2010.

Utilities - The total utilities expense for the Authority increased by \$13,428 (1.32 percent) due to slight increases in usage.

Maintenance - Maintenance costs are all costs incurred by the Authority to maintain the public housing units in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management, and telephone/radio service, etc. The Maintenance Expense for the Authority decreased by \$171,469 (7.28 percent) due to reduced personnel costs.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)**

General Expenses - General Expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, etc.) collection losses, severance pay, and interest expense. These expenses increased by \$80,430 (20.36 percent) primarily due to a change in the presentation of compensated absences expense.

Housing Assistance Payments - HAP payments consist of rental payments to owners of private property for which the Authority has a HAP agreement with the tenant and the owner for the difference between the tenant's rent and the applicable payment standard. During the year HAP expense decreased by \$421,156 (7.23 percent) due to the lower rate of utilization.

Depreciation - Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation Expense for the current year decreased by \$71,357 (3.92 percent) as the result of more assets becoming fully depreciated.

CAPITAL ASSETS

At the end of fiscal year 2009, the Authority had invested in Capital Assets \$16,265,683, net of depreciation. As of June 30, 2010, the investment in Capital Assets had increased by \$106,686 to \$16,372,369. The following illustrates the Capital Asset values for 2009 and 2010.

Table 4 - Combined Statement of Capital Assets

	<u>2010</u>	<u>2009</u>	<u>Total Change</u>	<u>% Change</u>
Land	\$ 3,930,314	\$ 3,930,314	\$ 0	0.00%
Buildings and Improvements	57,872,317	57,872,317	0	0.00%
Equipment	1,731,356	1,449,676	281,680	19.43%
Construction in Progress	<u>6,502,917</u>	<u>4,929,472</u>	<u>1,573,445</u>	31.92%
	70,036,904	68,181,779	1,855,125	2.72%
Accumulated Depreciation	<u>(53,664,535)</u>	<u>(51,916,096)</u>	<u>(1,748,439)</u>	3.37%
Total Capital Assets	<u>\$ 16,372,369</u>	<u>\$ 16,265,683</u>	<u>\$ 106,686</u>	0.66%

LONG-TERM DEBT OBLIGATIONS

At the end of fiscal year 2010, the Authority owed the following:

- \$923,574 on a bank note to provide funding to acquire and install certain energy saving items in the dwelling units;
- \$333,631 on a bank loan to finance the purchase of the Knightsbridge commercial building;

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)**

ECONOMIC FACTORS AND EVENTS AFFECTING OPERATIONS

Certain economic factors may affect the financial position of the Authority in subsequent fiscal years. Several of these factors are listed below.

- HUD has historically underfunded the subsidy needs of public housing authorities. HUD has implemented the Calendar Year Shift for operating subsidy payments. However, due to funding constraints, it is never clear until late in the federal fiscal year what proration percentage will be used to fund the program for the current authority fiscal year. This makes planning more difficult.
- The Authority's fiscal year ending June 30, 2010, was the third year that public housing authorities had to manage their properties in the current manner. HUD has mandated that all public housing authorities managing 400 or more public housing units shall do so according to an asset management model, consistent with the management norms of the broader multi-family housing industry. According to HUD, this method of management will improve the operational efficiency and effectiveness of managing public housing assets and better preserve and protect those assets. This shall be accomplished via project-based management, project-based budgeting, and project-based accounting. Only time will tell if HUD's assumptions were accurate.
- Unprecedented federal budget deficits and funding for the Departments of Defense and Homeland Security will potentially result in reduced appropriations for domestic program spending, which will place further pressure on day to day operations.
- At the close of fiscal year 2010, the funding and collection of low rent public housing end of year utility adjustments has been halted and will not restart as the result of changes in the Operating Fund Subsidy Program regulations.
- Health care and other insurance costs are expected to increase dramatically over the next several years.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2010
(Unaudited)**

CONCLUSION

Overall, the Butler Metropolitan Housing Authority had a successful year. Analyses are ongoing to try to determine the best way to bring all programs to healthy, stable financial positions. Management of the Authority is committed to staying abreast of regulations and appropriations, as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the U.S. Department of Housing and Urban Development.

FINANCIAL CONTACT

This financial report is designed to provide our residents, the citizens of Butler County, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. 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
HAMILTON, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 1,470,468
Cash and Cash Equivalents - Restricted	656,584
Investments	264,531
Accounts Receivable	188,330
Prepaid Insurance	100,969
Inventories	<u>136,465</u>
Total Current Assets	<u>2,817,347</u>

Noncurrent Assets

Non-depreciable Capital Assets	10,433,231
Depreciable Capital Assets, Net	<u>5,939,138</u>
Total Noncurrent Assets	<u>16,372,369</u>

TOTAL ASSETS **\$ 19,189,716**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 181,962
Accrued Expenses	154,730
Deferred Revenue	56,936
Long-term Liabilities - Current Portion	185,074
Tenant Security Deposits	<u>123,367</u>
Total Current Liabilities	<u>702,069</u>

Noncurrent Liabilities

Mortgage Payable - Net of Current Portion	1,072,131
Noncurrent Liabilities - Other	6,908
Accrued Compensated Absences	<u>196,192</u>
Total Noncurrent Liabilities	<u>1,275,231</u>
Total Liabilities	<u>1,977,300</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	15,115,164
Restricted	534,309
Unrestricted	<u>1,562,943</u>
Total Net Assets	<u>17,212,416</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 19,189,716**

See accompanying notes to the basic financial statements.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Operating Revenues</u>	
Dwelling Rent	\$ 1,726,596
Governmental Grants and Subsidy	10,332,220
Other Income	<u>290,229</u>
Total Operating Revenues	<u>12,349,045</u>
<u>Operating Expenses</u>	
Administrative	2,373,217
Tenant Services	934
Utilities	1,026,958
Ordinary Maintenance and Operations	2,183,773
Protective Services	2,020
General Expense	409,239
Housing Assistance Payments	5,403,746
Depreciation Expense	<u>1,748,439</u>
Total Operating Expenses	<u>13,148,326</u>
Operating Income (Loss)	<u>(799,281)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income	13,508
Interest Expense	<u>(66,159)</u>
Total Non-Operating Revenues (Expenses)	<u>(52,651)</u>
Income (Loss) Before Capital Grants	(851,932)
Capital Grants	<u>1,855,125</u>
Net Increase/(Decrease) in Net Assets	1,003,193
Total Net Assets at Beginning of Year	<u>16,209,223</u>
Net Assets at End of Year	<u>\$ 17,212,416</u>

See accompanying notes to the basic financial statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities

Receipts from Tenants	\$ 1,718,741
Governmental Grants and Subsidy - Operations	10,188,129
Receipts - Other	289,881
Payments for Administrative Expenses	(2,365,821)
Payments for Housing Assistance	(5,403,746)
Payments for Other Operating Expenses	<u>(3,617,351)</u>
Net Cash (Provided) by Operating Activities	<u>809,833</u>

Cash Flows from Investing Activities

Interest Received	13,508
Investments Redeemed	<u>164,094</u>
Net Cash Provided from Investing Activities	<u>177,602</u>

Cash Flows from Capital and Related Financing Activities

Repayment of Mortgage Loan	(174,614)
Payment of Interest on Debt	(66,159)
Grant Revenue - Capital Grants	1,855,125
Purchase of Capital Assets	<u>(1,855,125)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(240,773)</u>
Net Increase in Cash	746,662

Cash at Beginning of Period	<u>1,380,390</u>
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Cash at End of Period	<u><u>\$ 2,127,052</u></u>
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Reconciliation of Operating Loss to Net

Cash Provided by Operating Activities

Net Operating (Loss)	\$ (799,281)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,748,439
Decrease (Increase) in Accounts Receivable	4,449
Decrease (Increase) in Prepaid Expenses	(12,940)
Decrease (Increase) in Inventory	2,735
Increase (Decrease) in Accounts Payable	67,870
Increase (Decrease) in Accrued Expenses	(44,696)
Increase (Decrease) in Deferred Revenue	(152,329)
Increase (Decrease) in Security Deposits	<u>(4,414)</u>
Net Cash Used by Operating Activities	<u><u>\$ 809,833</u></u>

Supplemental Disclosure of Cash Flow Information

Payment of Interest	<u><u>\$ 66,159</u></u>
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See accompanying notes to the basic financial statements.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1: **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES,
AND REPORTING ENTITY**

Introduction

The financial statements of the Butler Metropolitan Housing Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP). As permitted by GAAP, the Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, to apply all relevant GASB pronouncements and only applicable Financial Accounting Standards Board (FASB) pronouncements opinions issued on or after November 30, 1989 that do not contradict GASB pronouncements in the preparation of the financial statements. The more significant of the government’s accounting policies are described below:

Organization

The Authority is a public body and a body corporate and politic organized under the laws of the Ohio Revised Code, Section 3735.27, for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, a Governing Board is appointed 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.

The Board of Commissioners of the Authority is appointed to five-year terms by the Mayor of the City of Hamilton, Probate Court, Commons Pleas 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
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 1: **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES,
AND REPORTING ENTITY** (Continued)

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 Financial Accounting Standards Board* and GASB Statement No. 14, *The Financial Reporting Entity*.

Financial Accountability - The Authority is responsible for its debt, does not impose a financial burden on the cities or County, and is entitled to all net assets. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Imposition of Will - The Authority's Board of Commissioners has the responsibility to oversee 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 is no other entities that are to be reported as component units of the Authority. Nor is the Authority to be included in Butler County's financial reports or 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 Contracts with HUD:

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 1: **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES,
AND REPORTING ENTITY** (Continued)

Reporting Entity (Continued)

Low Income Public Housing - Funding for the Authority is primarily from HUD and from payments received from tenants of the Authority owned housing. Under the Low Rent Housing Program, low income tenants pay a portion of the rental cost of public housing, based upon the income and need of the tenants. HUD funds the difference between the actual costs to operate the Low Rent Housing Program and the amounts paid by tenants through operating subsidies. These subsidies and debt service payments are made to or on behalf of the Authority under the terms and conditions of the Annual Contributions Contract with HUD.

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.

The Housing Choice Voucher Program - The Section 8 Program provides rental supplements to the owners of existing private housing who rent to qualifying individuals. The Authority processes all applicants for the Section 8 Housing Assistance Payments Program, places approved applicants in housing, and pays the owner of the private housing a monthly rental supplement. Under the conditions of an Annual Contributions Contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the Program.

Business Activities - Business Activities represent a fund to account for the activities of the Knightsbridge building which is a commercial property purchased in 2002 and which is leased for the purpose of providing additional income for the Authority.

Basis of Presentation, Basis of Accounting, and Measurement Focus

Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary 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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 1: **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES,
AND REPORTING ENTITY** (Continued)

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

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

The Authority's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

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 proprietary fund's activities are included on the Statement of Net Assets. The Authority uses the following fund:

Consolidated Proprietary 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
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 1: **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES,
AND REPORTING ENTITY** (Continued)

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

Basis of Presentation (Continued)

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's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Encumbrances

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

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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 1: **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES,
AND REPORTING ENTITY** (Continued)

Inventories

Inventories are recorded at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed.

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 cities of Hamilton and Middletown for maintenance and repairs. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' Statement of Net Assets.

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

Collection Losses

Collection losses on accounts receivable are expensed in the appropriate fund on the specific write-off method as well as the establishment of an allowance for doubtful accounts.

Insurance

The primary technique used for risk financing is the purchase of insurance policies from carriers in the open market. As of the fiscal year end, the Authority had the required coverage in force.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 1: **SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES,
AND REPORTING ENTITY** (Continued)

Cash and Investments

- a. 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.
- b. 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 one year or less at amortized cost. Investment securities are normally held to mature at par value and adjustments are made to the investment portfolio to reflect gains or losses made.

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. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees.

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 the 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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

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

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

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

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

At year-end, the carrying amount of the Authority's deposits was \$274,399 (including \$1,050 of petty cash) and the bank balance was \$416,002.

Investments

At June 30, 2010, the Authority's investment balances were as follows:

<u>Investment Type</u>	<u>Market Value</u>	<u>Maturity</u>	<u>Rating</u>
Federal Home Loan Bank	\$ 264,531	12/09/2011	AAA
Repurchase Agreements	<u>1,852,653</u>	07/01/2011	AAA
Total	<u>\$ 2,117,184</u>		

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 Butler Metropolitan Housing Authority has no specific policy regarding interest rate risk.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Credit Risk

The credit risk of the Authority's investments are in the table above. The Authority has no formal policy regarding credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$416,002 were covered by Federal Depository Insurance and no deposits were uninsured and collateralized with securities held by the financial institution's trust department or agent, pledged as a pool of collateral against the public deposits it holds, or as specific collateral held in the name of the Authority.

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.

A reconciliation of cash and investments as shown on the Statement of Net Assets at June 30, 2010 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	\$ 1,470,468
Cash - Restricted	656,584
Investments - Unrestricted	<u>264,531</u>
Total	<u>\$ 2,391,583</u>
Carrying Amount of Deposits	\$ 274,399
Carrying Amount of Investments	<u>2,117,184</u>
Total	<u>\$ 2,391,583</u>

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$656,584 on the financial statements represents the following:

Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 534,309
FSS Escrow Funds	6,908
Tenant Security Deposits	<u>115,367</u>
Total Restricted Cash	<u>\$ 656,584</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivables at June 30, 2010, consisted of the following:

HUD	\$ 55,217
Accounts Receivable - Tenants (Net of Allowance of \$37,430)	63,306
Other	428
Accounts Receivable - Other Government	<u>69,379</u>
Total Accounts Receivable	<u>\$ 188,330</u>

Accounts receivable does not include interprogram amounts totaling \$841,056. This has been eliminated from the consolidated financial statements.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 5: CAPITAL ASSETS

The following is a summary of changes:

	Balance <u>June 30, 2009</u>	Additions	Deletions	Balance <u>June 30, 2010</u>
<u>Capital Assets Not being Depreciated</u>				
Land	\$ 3,930,314	\$ 0	\$ 0	\$ 3,930,314
Construction in Progress	<u>4,929,472</u>	<u>1,573,445</u>	<u>0</u>	<u>6,502,917</u>
Total Capital Assets Not Being Depreciated	<u>8,859,786</u>	<u>1,573,445</u>	<u>0</u>	<u>10,433,231</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	57,872,317	0	0	57,872,317
Furniture, Equipment, and Machinery	<u>1,449,676</u>	<u>281,680</u>	<u>0</u>	<u>1,731,356</u>
Total Capital Assets Being Depreciated	<u>59,321,993</u>	<u>281,680</u>	<u>0</u>	<u>59,603,673</u>
Accumulated Depreciation	<u>(51,916,096)</u>	<u>(1,748,439)</u>	<u>0</u>	<u>(53,664,535)</u>
Total Accumulated Depreciation	<u>(51,916,096)</u>	<u>(1,748,439)</u>	<u>0</u>	<u>(53,664,535)</u>
Depreciable Assets, Net	<u>7,405,897</u>	<u>(1,466,759)</u>	<u>0</u>	<u>(5,939,138)</u>
Total Capital Assets, Net	<u>\$ 16,265,683</u>	<u>\$ 106,686</u>	<u>\$ 0</u>	<u>\$ 16,372,369</u>

The following transactions affected capital assets during the audit period:

Balance as of July 1, 2009	\$ 16,265,683
CFP Program Additions	1,855,125
Current Year Depreciation	<u>(1,748,439)</u>
Balance as of June 30, 2010	<u>\$ 16,372,369</u>

	Balance <u>June 30, 2009</u>	Additions	Deletions	Balance <u>June 30, 2010</u>
<u>Depreciation by Asset Class</u>				
Buildings	\$ 50,586,838	\$ 1,666,610	\$ 0	\$ 52,253,448
Furniture, Equipment, and Machinery	<u>1,329,258</u>	<u>81,829</u>	<u>0</u>	<u>1,411,087</u>
Totals	<u>\$ 51,916,096</u>	<u>\$ 1,748,439</u>	<u>\$ 0</u>	<u>\$ 53,664,535</u>

NOTE 6: ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consisted of the following:

Vendors and Contractors Payable	\$ 181,962
Total Accounts Payable	<u>\$ 181,862</u>

Accounts payable does not include interprogram amounts totaling \$841,056. This has been eliminated from the consolidated financial statements.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 7: ACCRUED EXPENSES

Accrued expenses at June 30, 2010, consisted of the following:

Accrued Wages/Payroll Tax Liabilities	\$ 105,657
Accrued Compensated Absences - Current	49,048
Accrued Interest Payable	<u>25</u>
Total Accrued Expenses	<u>\$ 154,730</u>

NOTE 8: OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities at June 30, 2010 consisted of the following:

FSS Escrow Deposits	\$ 6,908
Accrued Compensated Absences	<u>196,192</u>
Total Noncurrent Liabilities	<u>\$ 203,100</u>

	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>	Current Portion <u>of Balance</u>
Compensated Absences	\$ 220,236	\$ 100,083	\$(75,079)	\$ 245,240	\$ 49,048

NOTE 9: 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 \$17,614.55. The outstanding balance as of June 30, 2010, is \$923,574.

Knightsbridge Loan - On September 10, 2002, the Authority obtained a loan from Fifth Third Bank, Cincinnati, Ohio for \$425,000 to finance the purchase of a commercial building. This note bore an interest rate of 6.5 percent fixed rate over 5 years. The interest was calculated based on a 30 day calendar month over a 360 day year. The original note matured on October 1, 2007, and was refinanced with First Financial Bank with an interest rate of 6.5 percent in the amount of \$340,000 on September 29, 2009. Monthly payments of \$2,553.66 are being made until maturity in September 2014. The outstanding balance as of June 30, 2010, is \$333,631.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 9: LONG TERM DEBT (Continued)

In addition, the Authority borrowed \$375,000 from the Housing Choice Voucher Program to provide a down payment on the purchase of the Knightsbridge building. The amount borrowed will be repaid back to the Voucher Program as excess funds are available from rental income. The building has been leased, and the Authority made the required \$500 monthly payments during the current year. The outstanding balance as of June 30, 2010, is \$345,000. This balance is eliminated in the statement of net assets as it is an interprogram transaction.

Principal and interest payments for the years following June 30, 2010, are as follows:

<u>For the Year Ended June, 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2011	\$ 185,074	\$ 57,339	\$ 242,413
2012	192,682	49,731	242,413
2013	201,284	41,129	242,413
2014	210,276	33,137	243,413
2015	467,889	8,811	476,700
Totals	<u>\$ 1,257,205</u>	<u>\$ 190,147</u>	<u>\$ 1,447,352</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

<u>Description</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>	<u>Current Portion</u>
Energy Performance Loan	\$ 1,092,085	\$ 0	\$ 168,511	\$ 923,574	\$ 175,832
First Financial Bank-Knightsbridge	339,734	0	6,103	333,631	9,242
Total Changes in Long-Term Debt	<u>\$ 1,431,819</u>	<u>\$ 0</u>	<u>\$ 174,614</u>	<u>\$1,257,205</u>	<u>\$ 185,074</u>

NOTE 10: RELATED PARTY TRANSACTIONS

There were no related party transactions to be reported for the fiscal year ended June 30, 2020.

NOTE 11: ECONOMIC DEPENDENCY

Both the Authority's Owned Housing Program and the Section 8 Program 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
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 12: RISK MANAGEMENT

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils.

Commercial carriers insure all common perils such as business auto, computer and other miscellaneous policies. There was no significant reduction in coverage and no settlements exceeding coverage during the past three years.

NOTE 13: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and 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 entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

NOTE 14: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined 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. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution 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, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (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.

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The Authority's contribution rate for the Authority was 14.00 percent of covered payroll.

The Authority's required contributions to OPERS for the years ended June 30, 2010, 2009, and 2008 were \$254,431, \$274,405, and \$266,885, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

NOTE 15: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

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 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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 15: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

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 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 No. 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.

B. **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 2010 and 2009, 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. For 2010 and 2009, the employer contribution allocated to the health care plan was 5.50 percent of covered payroll. 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, 2010, which were used to fund post-employment benefits were \$99,955.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)**

NOTE 15: **POST-EMPLOYMENT BENEFITS** (Continued)

B. **Funding Policy** (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. 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.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through 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	\$ 3,433,051
<i>Capital Fund Program Cluster:</i>		
Capital Fund Program	14.872	1,045,618
Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded - ARRA	14.885	<u>1,184,893</u>
<i>Total Capital Fund Program Cluster</i>		<u>2,230,511</u>
Total Public Housing Programs		<u>5,663,562</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	<u>6,523,783</u>
Total U.S. Department of Housing and Urban Development		<u>12,187,345</u>
Total Expenditures of Federal Awards		<u>\$ 12,187,345</u>

This schedule is prepared on the accrual basis of accounting.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE A: **BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Expenditures 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, 2010.

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 year ended June 30, 2010.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2010.

BUTLER METROPOLITAN HOUSING AUTHORITY (OH015)

HAMILTON, OH

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$880,466	\$455,789	\$134,213		\$1,470,468		\$1,470,468
113 Cash - Other Restricted		\$541,217			\$541,217		\$541,217
114 Cash - Tenant Security Deposits	\$115,367				\$115,367		\$115,367
100 Total Cash	\$995,833	\$997,006	\$134,213	\$0	\$2,127,052	\$0	\$2,127,052
122 Accounts Receivable - HUD Other Projects	\$5,908			\$49,309	\$55,217		\$55,217
124 Accounts Receivable - Other Government		\$69,379			\$69,379		\$69,379
125 Accounts Receivable - Miscellaneous			\$428		\$428		\$428
126 Accounts Receivable - Tenants	\$100,736				\$100,736		\$100,736
126.1 Allowance for Doubtful Accounts - Tenants	-\$37,430				-\$37,430		-\$37,430
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current		\$6,000			\$6,000	-\$6,000	\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$69,214	\$75,379	\$428	\$49,309	\$194,330	-\$6,000	\$188,330
131 Investments - Unrestricted	\$264,531				\$264,531		\$264,531
142 Prepaid Expenses and Other Assets	\$100,969				\$100,969		\$100,969
143 Inventories	\$150,950				\$150,950		\$150,950
143.1 Allowance for Obsolete Inventories	-\$14,485				-\$14,485		-\$14,485
144 Inter Program Due From	\$841,056				\$841,056	-\$841,056	\$0
150 Total Current Assets	\$2,408,068	\$1,072,385	\$134,641	\$49,309	\$3,664,403	-\$847,056	\$2,817,347
161 Land	\$3,812,474		\$117,840		\$3,930,314		\$3,930,314
162 Buildings	\$57,263,425		\$608,892		\$57,872,317		\$57,872,317
163 Furniture, Equipment & Machinery - Dwellings							
164 Furniture, Equipment & Machinery - Administration	\$1,611,881	\$67,060	\$52,415		\$1,731,356		\$1,731,356
166 Accumulated Depreciation	-\$5,332,399	-\$54,876	-\$287,260		-\$5,366,435		-\$5,366,435
167 Construction in Progress	\$6,502,917				\$6,502,917		\$6,502,917
160 Total Capital Assets, Net of Accumulated Depreciation	\$15,868,298	\$12,184	\$491,887	\$0	\$16,372,369	\$0	\$16,372,369
171 Notes, Loans and Mortgages Receivable - Non-Current		\$339,000			\$339,000	-\$339,000	\$0
180 Total Non-Current Assets	\$15,868,298	\$351,184	\$491,887	\$0	\$16,711,369	-\$339,000	\$16,372,369
190 Total Assets	\$18,276,366	\$1,423,569	\$626,528	\$49,309	\$20,375,772	-\$1,186,056	\$19,189,716

BUTLER METROPOLITAN HOUSING AUTHORITY (OH015)

HAMILTON, OH

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
311 Bank Overdraft	\$0				\$0		\$0
312 Accounts Payable <= 90 Days	\$166,721	\$15,241			\$181,962		\$181,962
321 Accrued Wage/Payroll Taxes Payable	\$82,330	\$23,327			\$105,657		\$105,657
322 Accrued Compensated Absences - Current Portion	\$44,286	\$4,762			\$49,048		\$49,048
325 Accrued Interest Payable			\$25		\$25		\$25
341 Tenant Security Deposits	\$115,367		\$8,000		\$123,367		\$123,367
342 Deferred Revenues	\$56,936				\$56,936		\$56,936
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$175,832		\$15,242		\$191,074	-\$6,000	\$185,074
347 Inter Program - Due To		\$791,710	\$37	\$49,309	\$841,056	-\$841,056	\$0
310 Total Current Liabilities	\$641,472	\$835,040	\$23,304	\$49,309	\$1,549,125	-\$847,056	\$702,069
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$747,742		\$663,389		\$1,411,131	-\$339,000	\$1,072,131
353 Non-current Liabilities - Other		\$6,908			\$6,908		\$6,908
354 Accrued Compensated Absences - Non Current	\$177,146	\$19,046			\$196,192		\$196,192
350 Total Non-Current Liabilities	\$924,888	\$25,954	\$663,389	\$0	\$1,614,231	-\$339,000	\$1,275,231
300 Total Liabilities	\$1,566,360	\$860,994	\$686,693	\$49,309	\$3,163,356	-\$1,186,056	\$1,977,300
508.1 Invested In Capital Assets, Net of Related Debt	\$14,944,724	\$12,184	\$158,256	\$0	\$15,115,164		\$15,115,164
511.1 Restricted Net Assets	\$0	\$534,309	\$0	\$0	\$534,309		\$534,309
512.1 Unrestricted Net Assets	\$1,765,282	\$16,082	(\$218,421)	\$0	\$1,562,943		\$1,562,943
513 Total Equity/Net Assets	\$16,710,006	\$562,575	(\$60,165)	\$0	\$17,212,416	\$0	\$17,212,416
600 Total Liabilities and Equity/Net Assets	\$18,276,366	\$1,423,569	\$626,528	\$49,309	\$20,375,772	-\$1,186,056	\$19,189,716

BUTLER METROPOLITAN HOUSING AUTHORITY (OH015)

HAMILTON, OH

Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,697,795				\$1,697,795		\$1,697,795
70400 Tenant Revenue - Other	\$28,801				\$28,801		\$28,801
70500 Total Tenant Revenue	\$1,726,596	\$0	\$0	\$0	\$1,726,596		\$1,726,596
70600 HUD PHA Operating Grants	\$3,791,911	\$6,523,783		\$16,526	\$10,332,220		\$10,332,220
70610 Capital Grants	\$686,758			\$1,168,367	\$1,855,125		\$1,855,125
71100 Investment Income - Unrestricted	\$11,818	\$483	\$207		\$12,508		\$12,508
71400 Fraud Recovery		\$14,699			\$14,699		\$14,699
71500 Other Revenue	\$55,603	\$123,758	\$96,169		\$275,530		\$275,530
72000 Investment Income - Restricted		\$1,000			\$1,000		\$1,000
70000 Total Revenue	\$6,272,686	\$6,663,723	\$96,376	\$1,184,893	\$14,217,678		\$14,217,678
91100 Administrative Salaries	\$401,192	\$329,004	\$5,464		\$735,660		\$735,660
91200 Auditing Fees	\$9,225	\$6,995			\$16,220		\$16,220
91500 Employee Benefit contributions - Administrative	\$207,820	\$151,439			\$359,259		\$359,259
91600 Office Expenses	\$73,747	\$48,149			\$121,896		\$121,896
91700 Legal Expense	\$11,552	\$3,500			\$15,052		\$15,052
91800 Travel	\$1,021	\$1,278			\$2,299		\$2,299
91810 Allocated Overhead	\$919,372				\$919,372		\$919,372
91900 Other	\$183,929		\$19,530		\$203,459		\$203,459
91000 Total Operating - Administrative	\$1,807,858	\$540,365	\$24,994	\$0	\$2,373,217		\$2,373,217
92400 Tenant Services - Other	\$934				\$934		\$934
92500 Total Tenant Services	\$934	\$0	\$0	\$0	\$934		\$934
93100 Water	\$112,330				\$112,330		\$112,330
93200 Electricity	\$443,416				\$443,416		\$443,416
93300 Gas	\$277,436				\$277,436		\$277,436
93800 Other Utilities Expense	\$193,776				\$193,776		\$193,776
93000 Total Utilities	\$1,026,958	\$0	\$0	\$0	\$1,026,958		\$1,026,958
94100 Ordinary Maintenance and Operations - Labor	\$578,671				\$578,671		\$578,671
94200 Ordinary Maintenance and Operations - Materials and Other	\$416,701		\$575	\$16,526	\$433,802		\$433,802
94300 Ordinary Maintenance and Operations Contracts	\$778,455	\$2,036	\$18,147		\$798,638		\$798,638
94500 Employee Benefit Contributions - Ordinary Maintenance	\$364,034				\$364,034		\$364,034
94000 Total Maintenance	\$2,137,861	\$2,036	\$18,722	\$16,526	\$2,175,145		\$2,175,145

BUTLER METROPOLITAN HOUSING AUTHORITY (OH015)

HAMILTON, OH

Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
95200 Protective Services - Other Contract Costs	\$1,740	\$280			\$2,020		\$2,020
95000 Total Protective Services	\$1,740	\$280	\$0	\$0	\$2,020		\$2,020
96110 Property Insurance	\$94,030		\$5,696		\$99,726		\$99,726
96120 Liability Insurance	\$62,747				\$62,747		\$62,747
96140 All Other Insurance	\$25,088	\$138			\$25,226		\$25,226
96100 Total insurance Premiums	\$181,865	\$138	\$5,696	\$0	\$187,699		\$187,699
96200 Other General Expenses		\$3,780	\$2,606		\$6,386		\$6,386
96210 Compensated Absences	\$100,000	\$83			\$100,083		\$100,083
96300 Payments in Lieu of Taxes							
96400 Bad debt - Tenant Rents	\$115,071				\$115,071		\$115,071
96000 Total Other General Expenses	\$215,071	\$3,863	\$2,606	\$0	\$221,540		\$221,540
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)	\$43,257		\$22,902		\$66,159		\$66,159
96700 Total Interest Expense and Amortization Cost	\$43,257	\$0	\$22,902	\$0	\$66,159		\$66,159
96900 Total Operating Expenses	\$5,415,544	\$546,682	\$74,920	\$16,526	\$6,053,672		\$6,053,672
97000 Excess of Operating Revenue over Operating Expenses	\$857,142	\$6,117,041	\$21,456	\$1,168,367	\$8,164,006		\$8,164,006
97200 Casualty Losses - Non-capitalized	\$7,499	\$1,129			\$8,628		\$8,628
97300 Housing Assistance Payments		\$5,403,746			\$5,403,746		\$5,403,746
97400 Depreciation Expense	\$1,709,227	\$4,230	\$34,982		\$1,748,439		\$1,748,439
90000 Total Expenses	\$7,132,270	\$5,955,787	\$109,902	\$16,526	\$13,214,485		\$13,214,485
10010 Operating Transfer In	\$9,488				\$9,488		\$9,488
10020 Operating transfer Out	-\$9,488				-\$9,488		-\$9,488
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$859,584)	\$707,936	-\$13,526	\$1,168,367	\$1,003,193		\$1,003,193

BUTLER METROPOLITAN HOUSING AUTHORITY (OH015)

HAMILTON, OH

Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	\$160,404	\$0	\$7,000	\$0	\$167,404		\$167,404
11030 Beginning Equity	\$16,401,223	-\$145,361	-\$46,639	\$0	\$16,209,223		\$16,209,223
11040 Prior Period Adjustments, Equity Transfers and Correction of	\$1,168,367			-\$1,168,367	\$0		\$0
11170 Administrative Fee Equity		\$28,266			\$28,266		\$28,266
11180 Housing Assistance Payments Equity		\$534,309			\$534,309		\$534,309
11190 Unit Months Available	13527	11916	0		25443		25443
11210 Number of Unit Months Leased	12180	11301	0		23481		23481
11270 Excess Cash	\$1,201,300				\$1,201,300		\$1,201,300
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$1,573,444				\$1,573,444		\$1,573,444
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$281,681				\$281,681		\$281,681
11650 Leasehold Improvements Purchases	\$0				\$0		\$0
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Butler Metropolitan Housing Authority
Hamilton, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Butler Metropolitan Housing Authority, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Butler Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Butler Metropolitan Housing Authority, Ohio, in a separate letter dated November 23, 2010.

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


James G. Zupka, CPA, Inc.
Certified Public Accountants

November 23, 2010

JAMES G. ZUPKA, C.P.A., INC.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
Butler Metropolitan Housing Authority
Hamilton, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the Butler Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Butler Metropolitan Housing Authority, Ohio's major federal programs for the year ended June 30, 2010. The Butler Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Butler Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Butler Metropolitan Housing Authority, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Butler Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Butler Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Butler Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

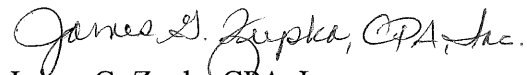
Internal Control Over Compliance

Management of the Butler Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Butler Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Butler Metropolitan Housing Authority, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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


James G. Zupka CPA, Inc.
Certified Public Accountants

November 23, 2010

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2010(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): <div style="margin-left: 40px;">Low Income Public Housing - CFDA #14.850 Public Housing Capital Fund - CFDA #14.872 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded - CFDA#14.885</div>	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$365,620 Type B: all others
2010(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
STATUS PRIOR YEAR FINDINGS
OMB CIRCULAR A-133 & .505
JUNE 30, 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significant Different Corrective Action Taken; or Finding No Longer Valid; Explain</u>
2009-01	Bank Reconciliations	Yes	Corrected in 2010



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 27, 2011