BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

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

Mary Taylor, CPA
Auditor of State

Board of Directors
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, 2008 through June 30, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 22, 2010

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BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2009

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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, 2009, 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 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, as of June 30, 2009, and the respective changes in financial position, and where applicable, cash flows 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 December 7, 2009, on our consideration of the Butler Metropolitan Housing Authority, Ohio'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Butler Metropolitan Housing Authority, Ohio's basic financial statements. 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 Government and Non-Profit Organizations* and is also not a required part of the basic financial statements of the Butler Metropolitan Housing Authority, Ohio. The Schedule of Modernization Cost Completed is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Authority has not presented the Financial Data Schedules (FDS) required by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department in now undertaking.

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

December 7, 2009

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)

This Management's Discussion and Analysis (MD&A) of the Butler Metropolitan Housing 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, 2009. 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 $16,209,233 (net assets) as opposed to $17,168,649 for the prior fiscal year.
- The Authority's cash and investments balance as of the close of the current fiscal year was $1,809,015 representing a decrease of $638,011 from the prior fiscal year.
- The Authority had total revenues of $12,769,060 and total expenses of $13,728,484 for the current fiscal year.
- The Authority expended $1,532,244 in Capital Grant Funding for 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) included 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, investing, and capital and related financing.

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

	2009	2008	Total Change	% Change
Assets				
Current Assets	$ 2,229,023	$ 2,901,699	$ (672,676)	-23.18%
Capital & Other Assets	16,265,683	16,601,205	(335,522)	-2.02%
Total Assets	$ 18,494,706	$ 19,502,904	$ (1,008,198)	-5.17%
Liabilities				
Current Liabilities	$ 1,151,887	$ 715,970	$ 435,917	60.88%
Non-Current Liabilities	1,133,596	1,618,285	(484,689)	-29.95%
Total Liabilities	2,285,483	2,334,255	(48,772)	-2.09%
Net Assets				
Invested in Capital Assets, Net of Related Debt	14,833,864	14,637,673	196,191	1.34%
Restricted Net Assets	0	357,980	(357,980)	-100.00%
Unrestricted Net Assets	1,375,359	2,172,996	(797,637)	-36.71%
Total Net Assets	16,209,223	17,168,649	(959,426)	-5.59%
Total Liabilities and Net Assets	$ 18,494,706	$ 19,502,904	$ (1,008,198)	-5.17%

As illustrated in the summary of the Combined Statement of Net Assets, the overall Net Assets of the Authority decreased by $959,426. The "Invested in Capital Assets" increased by $196,191; Unrestricted Net Assets decreased by $797,637; and Restricted Net Assets decreased by $357,980. The increase in Invested in Capital Assets was the result of a reduction in outstanding debt. Restricted Net Assets decreased due to the depletion of the HAP Equity Account. Unrestricted Net Assets decreased 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 our revenues and expenses further. Table 2, which follows, provides a combined statement of these changes.

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

	2009	2008	Total Change	% Change
Tenant Revenue	$ 1,604,794	$ 1,489,445	$ 115,349	7.74%
Grant Funding	10,839,027	10,887,324	(48,297)	-0.44%
Other Income	325,239	242,499	82,740	34.12%
Total Revenue	12,769,060	12,619,268	149,792	1.19%
Administration	2,316,609	2,506,151	(189,542)	-7.56%
Tenant Services	3,162	0	3,162	100.00%
Utilities	1,013,530	1,021,517	(7,987)	-0.78%
Maintenance	2,355,242	2,260,887	94,355	4.17%
Protective Services	275	8,177	(7,902)	-96.64%
General Expense	394,968	535,141	(140,173)	-26.19%
Housing Assistance Payments	5,824,902	5,679,855	145,047	2.55%
Depreciation	1,819,796	2,108,389	(288,593)	-13.69%
Total Expenses	13,728,484	14,120,117	(391,633)	-2.77%
Change in Net Assets	(959,424)	(1,500,849)	541,425	-36.07%
Beginning Net Assets	17,168,647	18,669,498	(1,500,851)	-8.04%
Ending Net Assets	$16,209,223	$ 17,168,649	$ (959,426)	-5.59%

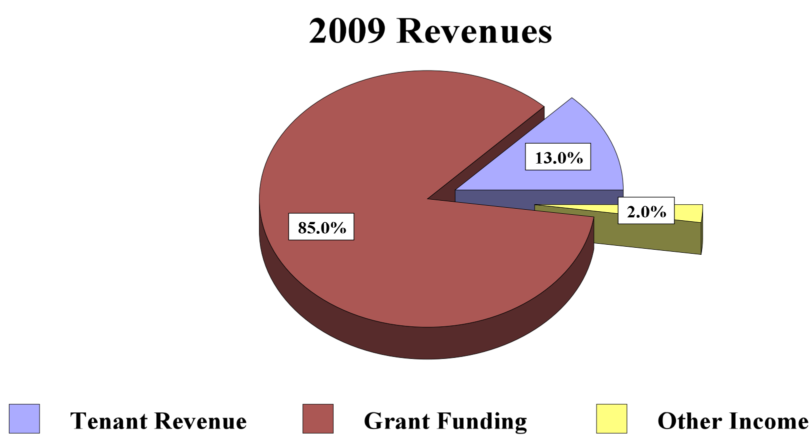
Table 3 provides the reader with a Statement of Revenues, Expenses and Net Assets by Program.

Table 3 - Combined Statement of Revenues, Expenses and Change in Net Assets by Program
Fiscal year Ended June 30, 2009

	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Capital Fund	Total
Tenant Revenue	$ 0	$ 1,604,794	$ 0	$ 0	$ 1,604,794
Grant Funding	0	3,146,531	5,667,263	2,025,233	10,839,027
Other Income	96,801	209,243	67,167	(47,972)	325,239
Total Revenue	96,801	4,960,568	5,734,430	1,977,261	12,769,060
Administration	6,643	1,593,560	545,628	170,778	2,316,609
Tenant Services	0	0	0	3,162	3,162
Utilities	0	1,013,530	0	0	1,013,530
Maintenance	29,976	2,250,217	0	75,049	2,355,242
Protective Services	0	275	0	0	275
General Expense	29,947	361,224	3,797	0	394,968
Housing Assistance Payments	0	0	5,824,902	0	5,824,902
Depreciation	38,720	1,528,914	4,260	247,902	1,819,796
Total Expenses	105,286	6,747,720	6,378,587	496,891	13,728,484
Change in Net Assets	(8,485)	(1,787,152)	(644,157)	1,480,370	(959,424)
Beginning Net Assets	(38,154)	11,684,264	498,796	5,023,741	17,168,647
Operating Transfers	0	244,000	0	(244,000)	0
Ending Net Assets	$ (46,639)	$ 10,141,112	$ (145,361)	$ 6,260,111	$ 16,209,223

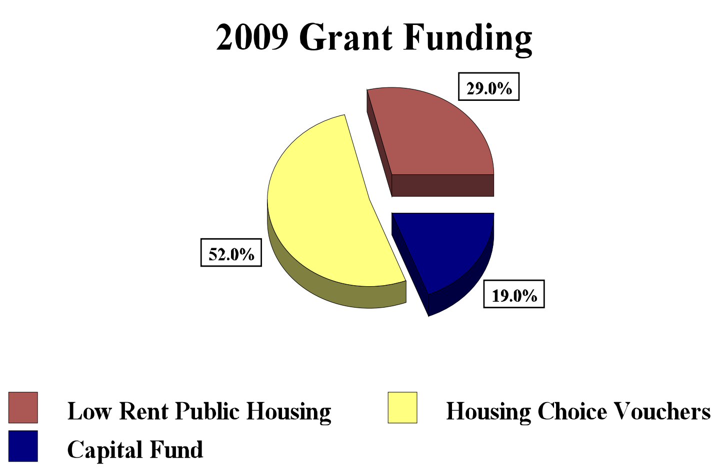
REVENUES

In reviewing the Statement of Revenues, Expenses, and Net Assets, you will note that 85 percent of the Authority's revenues are derived from grants from the Department of Housing and Urban Development and others. The Authority received revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges of 13 percent of total revenue. Other Revenue including interest from investments comprise the remaining 2 percent. Compared to the fiscal year ended June 30, 2008, revenues had an overall increase of $149,792 (1.19 percent). HUD Grant Funding decreased, but tenant revenue increased. Other income increased to a more normal level since there was not a large loss on disposition as there was last year.



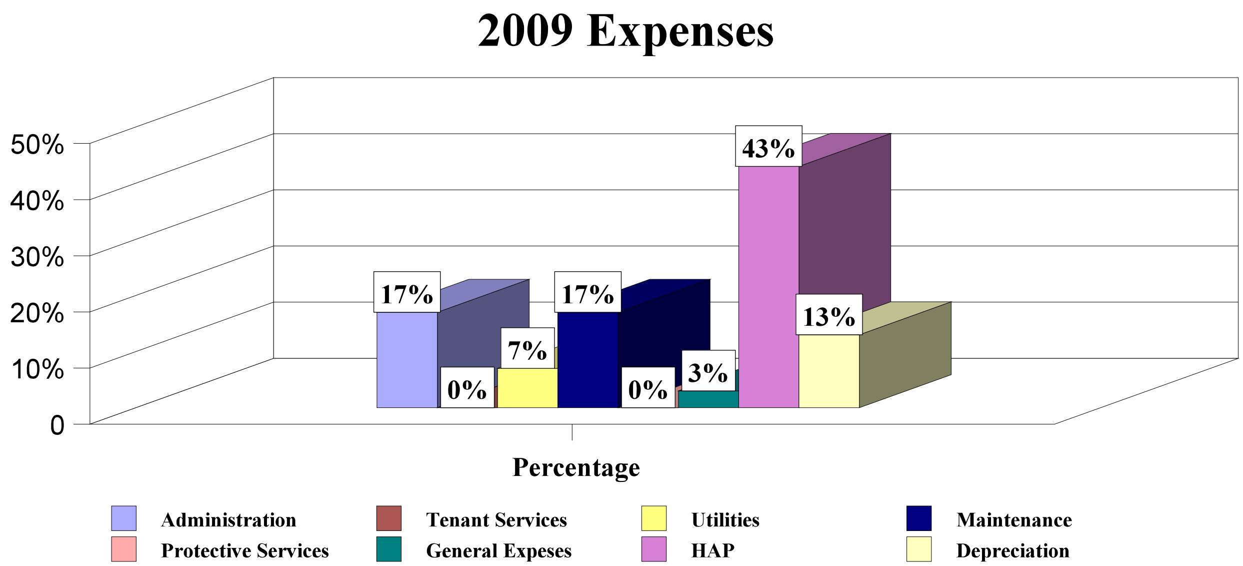
Tenant Revenue - Tenant Revenue increased from $1,489,445, to $1,604,794, an increase of 7.74 percent.

Program Grants/Subsidies - Grant revenue decreased $48,297 (.44 percent) compared to the previous year.



EXPENSES

The Butler Metropolitan Housing Authority experienced a decrease in expenses for the current year from $14,120,117 to $13,728,484 or $391,633 (2.77 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 2008, administrative costs decreased by $189,542 (7.56 percent), due primarily to reduced personnel costs.

Tenant Services - Tenant Services costs include all costs incurred by the Authority to provide social services to the residents. Compared to 2008, tenant services costs increased to $3,162 due to relocation payments in the Capital Fund program.

Utilities - The total utilities expense for the Authority decreased by $7,987 (.78 percent) due to increased savings resulting from the Vestar energy savings work done.

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 increased by $94,355 (4.17 percent) due to increased materials and contract costs.

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 decreased by $140,173 (26.19 percent) due to lower collection loss and insurance expense.

Housing Assistance Payments - HAP payments consist of rental payments to owners of private property for which the Housing 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 increased by $145,047 (2.55 percent) due to the increase in average HAP payments which reflects the general state of the economy of Butler Metropolitan Housing Authority and declining incomes and layoffs.

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 $288,593 (13.69 percent) as the result of more assets becoming fully depreciated.

CAPITAL ASSETS

At the end of fiscal year 2008 the Authority had invested in Capital Assets $16,601,205 net of depreciation. As of June 30, 2009, the investment in Capital Assets had decreased by $335,522 to $16,265,683. The following illustrates the Capital Asset values for 2008 and 2009.

Table 4 - Combined Statement of Capital Assets

	2009	2008	Total Change	% Change
Land	$ 3,930,314	$ 3,930,314	$ 0	0.00%
Buildings and Improvements	57,872,317	57,872,317	0	0.00%
Equipment	1,449,676	1,818,734	(369,058)	-20.29%
Construction in Progress	4,929,472	3,417,228	1,512,244	44.25%
	68,181,779	67,038,593	1,143,186	1.71%
Accumulated Depreciation	(51,916,096)	(50,437,388)	(1,478,708)	2.93%
Total Capital Assets	$ 16,265,683	$ 16,601,205	$ (335,522)	-2.02%

LONG-TERM DEBT OBLIGATIONS

At the end of fiscal year 2009, the Authority owed the following:

$1,092,085 on a bank note to provide funding to acquire and install certain energy saving items in the dwelling units

339,734 on a bank loan to finance the purchase of Knightsbridge, a commercial building

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.

- The Department of Housing and Urban Development 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.

- Our fiscal year ending June 30, 2009 was the second year that Public Housing Authorities had to manage their properties in a whole new way. HUD has mandated that all 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.

- Budget deficits and funding for the Departments of Defense and Homeland Security will probably result in reduced appropriations for domestic program spending which will place further pressure on day to day operations.

- At the close of fiscal year 2009, 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.

CONCLUSION

Overall, the Butler Metropolitan Housing Authority had a transitional year. Due to the delayed closing of fiscal year ended June 30, 2008 because of issues coming from last year's computer conversions and problems with the FDS Tool, much catch up work had to be done at year end. Thankfully Public Housing experienced just a small loss, but Section 8 is still addressing problem areas as evidenced by the depletion of the HAP Equity reserve this year. Analyses are ongoing to try to determine the best way to bring all programs back to healthy, stable financial positions. The management 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 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, 2009

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,380,390
Investments	428,625
Accounts Receivable	192,779
Prepaid Insurance	88,029
Inventories	139,200
Total Current Assets	2,229,023
Capital Assets	
Land	3,930,314
Buildings and Improvements	57,872,317
Furniture and Equipment	1,449,676
Construction in Progress	4,929,472
	68,181,779
Less: Accumulated Depreciation	(51,916,096)
Capital Assets, Net	16,265,683
TOTAL ASSETS	$ 18,494,706
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 114,092
Accrued Expenses	206,822
Deferred Revenue	209,265
Long-term Liabilities - Current Portion	493,927
Tenant Security Deposits	127,781
Total Current Liabilities	1,151,887
Noncurrent Liabilities	
Mortgage Payable - Net of Current Portion	937,892
Non-current Liabilities - Other	19,514
Accrued Compensated Absences	176,190
Total Noncurrent Liabilities	1,133,596
Total Liabilities	2,285,483
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	14,833,864
Unrestricted	1,375,359
Total Net Assets	16,209,223
TOTAL LIABILITIES AND NET ASSETS	$ 18,494,706

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, 2009

Operating Revenues	
Dwelling Rent	$ 1,604,794
Governmental Grants and Subsidy	9,306,783
Other Income	294,888
Total Operating Revenues	11,206,465
Operating Expenses	
Administrative	2,316,611
Tenant Services	3,162
Utilities	1,013,530
Ordinary Maintenance and Operations	2,355,242
Protective Services	275
General Expense	316,978
Housing Assistance Payments	5,824,902
Depreciation Expense	1,819,796
Total Operating Expenses	13,650,496
Operating Income (Loss)	(2,444,031)
Non-Operating Revenues (Expenses)	
Investment Income	50,048
Loss on Disposition of Assets	(19,697)
Interest Expense	(77,990)
Total Non-Operating Revenues (Expenses)	(47,639)
Income (Loss) Before Capital Grants	(2,491,670)
Capital Grants	1,532,244
Net Increase/(Decrease) in Net Assets	(959,426)
Total Net Assets, Beginning of Year	17,168,649
Net Assets, End of Year	$ 16,209,223

See accompanying notes to the basic financial statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities	
Receipts from Customers and Users	$ 1,990,276
Governmental Grants and Subsidy - Operations	9,517,003
Payments for Administrative Expenses	(2,303,162)
Payments for Housing Assistance	(5,824,902)
Payments for Other Operating Expenses	(3,842,844)
Net Cash (Provided) by Operating Activities	(463,629)
Cash Flows from Investing Activities	
Interest Received	50,048
Investments Purchased	(428,625)
Net Cash Provided from Investing Activities	(378,577)
Cash Flows from Capital and Related Financing Activities	
Repayment of Mortgage Loan	(174,713)
Payment of Interest on Debt	(77,990)
Grant Revenue - Capital Grants	1,532,244
Proceeds from the Sale of Assets	28,273
Purchase of Capital Assets - Capital Grant Program	(1,532,244)
Net Cash Provided by Capital and Related Financing Activities	(224,430)
Net Increase in Cash	(1,066,636)
Cash at Beginning of Period	2,447,026
Cash at End of Period	$ 1,380,390
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (2,444,031)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,819,796
Decrease (Increase) in Accounts Receivable	86,974
Decrease (Increase) in Prepaid Expenses	(19,368)
Decrease (Increase) in Inventory	(32,941)
Increase (Decrease) in Accounts Payable	(129,112)
Increase (Decrease) in Accrued Expenses	41,213
Increase (Decrease) in Deferred Revenue	209,265
Increase (Decrease) in Security Deposits	4,575
Net Cash Used by Operating Activities	$ (463,629)

Supplemental Disclosure of Cash Flow Information	
Payment of Interest	$ 77,990

See accompanying notes to the basic financial statements.

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

Introduction

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). As permitted by GAAP, the Authority has elected pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting*, to apply all relevant Government Accounting Standards Board (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 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 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 Cities of Hamilton and Middletown, but the Authority designates its own management. The Cities 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 Cities of Hamilton and Middletown 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 cities are met. Therefore, a separate financial report is prepared for the Authority.

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 Statement Number 14 of the Government Accounting Standards Board, 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.

Appointment of a Voting Majority - The Authority is governed by a Board of Commissioners appointed by the Cities of Hamilton and Middletown and has governance responsibilities over all activities related to all housing activities within Butler County. The Board of Commissioners has decision-making authority and the power to designate management. The members do not serve at the discretion of the Cities, i.e., they can be removed only for cause. The Authority's Board elects its own chairperson.

Imposition of Will - The City 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 is no other entities that are to be reported as component units of the Authority. Nor is the Authority to be included in the Cities of Hamilton or Middletown 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:

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

Reporting Entity (Continued)

Low Income Public Housing - Funding for the Butler Metropolitan Housing Authority is primarily from the United States Department of Housing and Urban Development (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 - The 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.

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 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.

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 fund to which the budget applies. The Authority prepares annual operating budgets, which are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD.

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 expended, 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.

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

Cash and Investments

a. The Authority 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 proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

In 2005, the Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

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.

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

Deposits (Continued)

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 were $1,380,390 (including $1,050 of petty cash) and the bank balance was $1,437,351.

Investments - At June 30, 2009, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
Federal Home Loan Bank	$ 428,625	12/09/2011	AAA
Total	$ 428,625		

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.

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 $250,000 were covered by Federal Depository Insurance and deposits totaling $1,187,351 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.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivables at June 30, 2009, consisted of the following:

HUD	$ 132,834
Accounts Receivable - Tenants (Net of Allowance of $37,432)	59,865
Other	80
Total	$ 192,779

Accounts receivable does not include interprogram amounts totaling $709,401. This has been eliminated from the consolidated financial statements.

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital Assets not being Depreciated				
Land	$ 3,930,314	$ 0	$ 0	$ 3,930,314
Construction in Progress	3,417,228	1,512,244	0	4,929,472
Total Capital Assets Not Being Depreciation	7,347,542	1,512,244	0	8,859,786
Capital Assets being Depreciated				
Buildings and Improvements	57,872,317	0	0	57,872,317
Furniture, Equipment, and Machinery	1,818,734	20,000	(389,058)	1,449,676
Subtotal Capital Assets being Depreciated	59,691,051	20,000	(389,058)	59,321,993
Accumulated Depreciation	(50,437,388)	(1,819,796)	341,088	(51,916,096)
Subtotal Accumulated Depreciation	(50,437,388)	(1,819,796)	341,088	(51,916,096)
Depreciable Assets, Net	9,253,663	(1,799,796)	(47,970)	7,405,897
Total Capital Assets, Net	$16,601,205	$ (287,552)	$ (47,970)	$16,265,683

NOTE 4: **CAPITAL ASSETS** (Continued)

The following transactions affected capital assets during the audit period:

Balance as of July 1, 2008	$ 16,601,205
CFP Program Additions	1,532,244
Write off of Equipment and Elite Software	(47,970)
Current Year Depreciation	(1,819,796)
Balance as of June 30, 2009	$ 16,265,683

Depreciation by Asset Class	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Buildings	$48,948,283	$ 1,638,555	$ 0	$50,586,838
Furniture, Equipment and Machinery	1,489,105	181,241	(341,088)	1,329,258
Totals	$50,437,388	$ 1,819,796	$ (341,088)	$51,916,096

NOTE 5: **ACCOUNTS PAYABLE**

Accounts payable at June 30, 2009, consisted of the following:

Vendors and Contractors Payable	$ 91,117
Accounts Payable HUD	22,975
Totals	$ 114,092

Accounts payable does not include interprogram amounts totaling $709,401. This has been eliminated from the consolidated financial statements.

NOTE 6: **ACCRUED EXPENSES**

Accrued expenses at June 30, 2009, consisted of the following:

Accrued Wages/Payroll Tax Liabilities	$ 160,695
Accrued Compensated Absences - Current	44,046
Accrued Interest Payable	2,081
Total	$ 206,822

NOTE 7: OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities at June 30, 2009 consisted of the following:

FSS Escrow Deposits	$ 19,514
Accrued Compensated Absences	176,190
Total	$ 195,704

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
Compensated Absences	$ 227,818	$ 69,871	$ (77,453)	$ 220,236	$ 44,046

NOTE 8: 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% payable in monthly installments of $17,614.55. The outstanding balance as of June 30, 2009 is $1,092,085.

Knights-Bridge 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% 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 for an additional two years with Fifth Third Bank with an interest rate of 7.35%. Monthly payments of $3,352 are being made. The outstanding balance as of June 30, 2009 is $339,734.

In addition, the Authority borrowed $375,000 from the Housing Choice Voucher Program to provide a down payment on the purchase of the Knights-Bridge 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, 2009 is $351,000. This balance is eliminated in the statement of net assets as it is an interprogram transaction.

NOTE 8: **LONG TERM DEBT** (Continued)

Principal and interest payments for the years following June 30, 2009 are as follows:

For the Year Ended June, 30	Principal	Interest	Total Payments
2010	$ 493,927	$ 65,859	$ 559,786
2011	175,209	36,560	211,769
2012	182,821	28,948	211,769
2013	190,763	21,006	211,769
2014	199,050	12,719	211,769
2015-2019	190,049	4,072	194,121
Totals	$ 1,431,819	$ 169,164	$ 1,600,983

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

Description	Balance June 30, 2008	Additions	Retired	Balance June 30, 2009	Current Portion
Energy Performance Loan	$ 1,252,479	$ 0	$ 160,394	$ 1,092,085	$ 154,193
Fifth Third Bank - Knight - Bridge	354,053	0	14,319	339,734	339,734
Totals	$ 1,606,532	$ 0	$ 174,713	$ 1,431,819	$ 493,927

NOTE 9: **RELATED PARTY TRANSACTIONS**

There were no related party transactions to be reported for the fiscal year ended June 30, 2009.

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NOTE 10: **ECONOMIC DEPENDENCY**

Both the PHA 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.

NOTE 11: **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 12: **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 13: **IMPAIRMENT OF CAPITAL ASSETS**

In accordance with new financial reporting standards issued by the Government Accounting Standards Board's, Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*" requires certain note disclosures. During the fiscal year ended June 30, 2009, the Butler Metropolitan Housing Authority experienced no impairments of capital assets that require disclosure.

NOTE 14: **DEFINED BENEFIT PENSION PLAN**

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:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

- 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.

- 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.

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. 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, 2009, 2008, and 2007 were $274,405, $266,885 and $288,888 respectively. The portion of the Authority's required contribution for the year ended June 30, 2009 to the Combined Plan was $10,149, and the portion to the Member-Directed plan was $4,244.

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 healthcare 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 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.

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.

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

B. **Funding Policy** (Continued)
Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 17.40 percent. 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 and 18.1 percent of covered payroll for law and public safety 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 2008, the employer contribution allocated to the health care plan was 7.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided 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 2009 which were used to fund post-employment benefits were $135,081.

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

NOTE 16: **CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year ended June 30, 2009, the Authority implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*" and No. 50 "*Pensions Disclosures*". GASB Statement No. 45 provides guidance on all aspects of Other Postemployment Benefit (OPEB) reporting by employers. GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

The implementation of GASB Statements No. 45, No. 49 and No. 50 did not affect the presentation of the financial statements of the Authority.

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 3,146,531
Capital Fund Program	14.872	2,025,233
Total Public Housing Programs		5,171,764
Section 8 Tenant Based Programs		
Section 8 Housing Choice Voucher Program	14.871	5,667,263
Total Section 8 Tenant Based Programs		5,667,263
Total U.S. Department of Housing and Urban Development		10,839,027
Total Federal Expenditures		$ 10,839,027

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, 2009

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity of the Butler Metropolitan Housing 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 Butler Metropolitan Housing Authority provided no federal awards to subrecipients during the fiscal year ending June 30, 2009.

NOTE C: DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Butler Metropolitan Housing Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year needed June 30, 2009.

The Butler Metropolitan Housing Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2009.

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009

Annual Contributions Contract OH-015

1. The total amount of modernization cost of the Capital Fund Program grant is shown below:

OH10P01550104	
Funds Approved	$2,148,116
Funds Expended	2,148,116
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$2,148,116
Funds Expended	2,148,116
Excess (Deficiency) of Funds Advanced	$ 0

2. All modernization work in connection with the Capital Fund Program Grant has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009

Annual Contributions Contract OH-015

1. The total amount of cost of the Ross Family Self-Sufficiency Program grant is shown below:

OH015RFS114A005	
Funds Originally Approved	$ 37,522
Revision to Original Obligation	(17,594)
Total Funds Approved	$ 19,928
Funds Expended	19,928
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 19,928
Funds Expended	19,928
Excess (Deficiency) of Funds Advanced	$ 0

2. All work in connection with the Ross Family Self-Sufficiency Program Grant has been completed.

3. The entire actual program cost or liabilities incurred by the Authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such work on file in any public office where the same should be filed in order to be valid against such work.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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Garfield Hts., Ohio 44125

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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, 2009, and have issued our report thereon dated December 7, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Butler Metropolitan Housing Authority, Ohio's ability to initiate, authorize, record, process or report financial date reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Butler Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Butler Metropolitan Housing Authority, Ohio's internal control. We consider the deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: **Finding No. 2009-01.**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Butler Metropolitan Housing Authority, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

We noted certain additional matters that we reported to the management of the Butler Metropolitan Housing Authority in a separate letter dated December 7, 2009.

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.*

This report is intended solely for the information and use of the management, Board of Directors, 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

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

December 7, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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 compliance of the Butler Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 that might be 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 the management, the Board of Directors, 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

James G. Zupka CPA, Inc.
Certified Public Accountants

December 7, 2009

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2009

1. **SUMMARY OF AUDITOR'S RESULTS**

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	Yes
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2009(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: >$325,171 Type B: all others
2009(ix)	Low Risk Auditee?	No

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

Yes. See Finding 2009-01 page 39.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

2009-01 - Significant Deficiency - Bank Reconciliations

Condition:
Several bank accounts were not reconciled until several months past year-end.

Criteria:
Internal controls should be in place so that all bank accounts are properly reconciled promptly and approved in a timely manner.

Effect:
The failure to receive all reconciled bank accounts in a timely fashion contributed to the delay in the audit process and may cause accounting errors to not be detected timely.

Recommendation:
We suggest that every effort be made to ensure all bank accounts are reconciled and approved in a timely manner.

Auditee Response:
The Housing Authority is implementing procedures to ensure that all accounts will be reconciled on a timely basis.

BUTLER METROPOLITAN HOUSING AUTHORITY
HAMILTON, OHIO
STATUS PRIOR YEAR FINDINGS
OMB CIRCULAR A-133 & .505
JUNE 30, 2009

The audit report for the prior year ended June 30, 2008 contained no findings or citations.

Mary Taylor, CPA
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
MARCH 4, 2010

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