

Butler Metropolitan Housing Authority

Financial statements

For the Year Ended June 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Directors
Butler Metropolitan Housing Authority
4110 Hamilton-Middletown Road
Hamilton, Ohio 45011-6218

We have reviewed the *Independent Auditors' Report* of the Butler Metropolitan Housing Authority, Butler County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2005 through June 30, 2006. 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

April 25, 2007

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BUTLER METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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Independent Auditors' Report

Board of Directors
Butler Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2006, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Butler Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Butler Metropolitan Housing Authority, Ohio, as of June 30, 2006, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 15, 2006, on my consideration of Butler Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my 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 read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming and opinion on the financial statements that collectively comprise the Butler Metropolitan Housing Authority basic financial statements. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 not a required part of the financial statements. The combining financial data schedule ("FDS") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

December 15, 2006

**BUTLER METRO HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended JUNE 30, 2006**

Unaudited

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

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

FINANCIAL HIGHLIGHTS

- Total assets were \$21.4 million and \$21.3 million for 2006 and 2005 respectively. The Authority-wide statements reflect a increase in total assets of \$.1 million (or .3%) during 2006. This increase is reflective of the year’s activities.
- Revenue increased by \$1.2 million (or 11%) during 2006, and was \$12.8 million and \$11.6 million for 2006 and 2005 respectively.
- Total expenses of all Authority programs decreased by \$1.2 million (or 9%). Total expenses were \$12.7 million and \$13.9 million for 2006 and 2005 respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management Discussion and Analysis ~
Financial statements ~ Authority financial statements ~ ~ Fund Financial Statement ~ ~ Notes to Financial Statements ~
<u>Other Required Supplementary Information</u> ~ Required Supplementary Information (other than MD&A) ~

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
Unaudited

Authority Financial Statements

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

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal “Net Assets”, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as “Current” (convertible into cash within one year), and “Non-current”.

The focus of the Statement of Net Assets (the “Unrestricted Net Assets”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets are reported in three broad categories:

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

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of “Net Assets in Capital Assets, Net of Related Debt”, or “Restricted Net Assets”. This account resembles the old operating reserves account.

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

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the “Change in Net Assets”, which is similar to Net Income or Loss.

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

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
Unaudited

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are done so as required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs:

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Comprehensive Grant Program (CGP) – The Conventional Public Housing Program also included the CGP, which was the primary funding source for physical and management improvements to the Authority's properties. CGP funding was based on a formula allocation that took into consideration the size and age of your housing stock. The Capital Fund Program replaced this program in Federal Fiscal Year 2000.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

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

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
Unaudited

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the Statement of Net Assets compared to prior year.

TABLE 1
Statement of Net Assets
Omitted '000's

	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 3,666	\$ 3,563
Capital Assets	17,328	17,355
Other Long-term Assets	363	375
Total Assets	<u>\$ 21,357</u>	<u>\$ 21,293</u>
Current Liabilities	\$ 687	\$ 703
Long-Term Liabilities	2,481	2,574
Total Liabilities	<u>3,168</u>	<u>3,277</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	15,021	14,886
Unrestricted Net Assets	3,168	3,130
Total Net Assets	<u>18,189</u>	<u>18,016</u>
Total Liabilities and Net Assets	<u>\$ 21,357</u>	<u>\$ 21,293</u>

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Total assets increased by \$.064 million while total liabilities decreased by \$.109 million. This is the result of continuing effort to reduce total liabilities.

The Unrestricted Net Assets increase was negligible.

Capital assets decreasing due to depreciation expense.

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
 Unaudited

The following table presents details on the change in Net Assets.

TABLE 2

Change of Unrestricted Net Assets
Omitted '000's

Beginning Balance - June 30, 2005	\$	3,130
Results of Operation Before Capital Contributions		151
Rounding Adjustments		-
Adjustments:		
Current year Depreciation Expense (1)		1,975
Capital Expenditure (2)		(1,926)
Prior Period Adjustment		-
Retirement of Debt		(162)
		(162)
Ending Balance - June 30, 2006	\$	3,168

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Net Assets provides a clearer presentation of financial position.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
 Unaudited

TABLE 3
Statement of Revenue, Expenses and Change in Net Assets
Omitted '000's

	<u>2006</u>	<u>2005</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 1,409	\$ 1,475
Operating Subsidies	9,131	7,862
Capital Grants	1,910	1,812
Investment Income	93	43
Other Revenues	277	406
	<hr/>	<hr/>
Total Revenues	12,820	11,598
	<hr/>	<hr/>
<u>Expenses</u>		
Administrative	2,737	3,026
Tenant Services	3	6
Utilities	1,034	852
Maintenance	1,720	1,876
Protective Services	85	10
General and Interest Expenses	444	673
Housing Assistance Payments	4,669	5,049
Depreciation	1,975	2,440
Other Expenses	2	(3)
	<hr/>	<hr/>
Total Expenses	12,669	13,929
	<hr/>	<hr/>
Net Increases (Decreases)	\$ 151	\$ (2,331)
	<hr/>	<hr/>

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

Increased Revenue is mainly attributable to an increase in Operating Subsidy. Nearly all expenses decreased except Utilities due to a management effort to control the losses. BMHA has decreased personnel counts and expects health care costs increases will outweigh any savings that would be attributed to the personnel cuts. Maintenance contracts have been brought in house to achieve saving where possible.

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
Unaudited

CAPITAL ASSETS

Capital Assets

As of year-end, the Authority had \$17.3 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$.027 million or .16% from the end of last year.

	<u>2006</u>	<u>2005</u>
Land and Land Rights	\$ 3,945	\$ 3,946
Buildings	61,725	60,158
Equipment	1,645	1,638
Leasehold Improvements	-	-
Construction in Progress	1,957	1,604
Accumulated Depreciation	<u>(51,944)</u>	<u>(49,991)</u>
Total	<u>\$ 17,328</u>	<u>\$ 17,355</u>

The following reconciliation identifies the change in Capital Assets.

Beginning Balance - June 30, 2005	\$ 17,355
Current year Additions	1,926
Current year Disposals	(1)
Current year Depreciation Expense	(1,975)
Prior Period Adjustment	23
Ending Balance - June 30, 2006	<u>\$ 17,328</u>

Current year Additions are summarized as follows:

- Resurfacing parking lot at Knightsbridge	\$ 8
- Computer Equipment	1
- Server	6
- Various apital improvement funded with CFP Program	<u>1,911</u>
Total 2005 Additions	<u>\$ 1,926</u>

The current year additions were due mainly to construction in progress in building improvements funded with capital fund program.

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
Unaudited

Debt Outstanding

As of year-end, the Authority has \$2.3 million in debt (mortgages) outstanding compared to \$2.5 million the year before.

Beginning Balance - June 30, 2005	\$ 2,469
Current Year Principal Payments	<u>(162)</u>
Ending Balance - June 30, 2006	<u><u>\$ 2,307</u></u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Union Contracts, which has affected salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

THE FUTURE OF BMHA

BMHA did attempt its fourth Hope VI Revitalization Grant in 2006. Unfortunately this application did not receive funding. In spite of not having the funding to revitalize the Bambo Harris site BMHA has committed to the demolition of the buildings. As of the writing of this MD&A, the demolition has been procured and is expected to proceed in the next couple months.

Our current plan for revitalization is by partnering with a developer and an application for tax credits. This is a new strategy for BMHA and one we hope will bare more fruit. The full tax credit application is due June 7 2007. Last year there were 143 tax Credits applications submitted and 42 were funded.

Potential for other funding sources remains floating a bond issue or leveraging capital funds to raise cash.

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended June 30, 2006
Unaudited

IN CONCLUSION

The Authority managed to improve on the previous year as reflected in the Change in Net Assets statement where BMHA had a negligible gain. BMHA expect to continue to improve its financial condition.

Butler Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the sound financial condition of the Authority.

FINANCIAL CONTACT

Kenneth Keim, CPA, CMA
Director of Finance

If you have any questions regarding this report, you may contact Tony Blaine, Executive Director of the Butler Metropolitan Housing Authority at (513) 896-4411.

Respectfully submitted,
Tony Blaine
Executive Director

BUTLER METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
June 30, 2006

ASSETS

Current assets

Cash and cash equivalents	\$421,355
Investments	2,892,778
Receivables, net	202,448
Inventories, net	74,302
Prepaid expenses and other assets	75,445
Total current assets	<u>3,666,328</u>

Noncurrent assets

Capital assets:	
Land and Land Improvements	3,944,479
Building and equipment	63,370,272
Construction in Progress	1,957,183
Less accumulated depreciation	<u>(51,943,696)</u>
Capital assets, net	17,328,238
Other noncurrent assets	<u>363,000</u>
Total noncurrent assets	<u>17,691,238</u>
Total assets	<u><u>\$21,357,566</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$93,227
Accrued liabilities	232,950
Tenant security deposits	166,703
Deferred revenue	27,250
Bonds, notes, and loans payable	<u>166,922</u>
Total current liabilities	<u>687,052</u>

Noncurrent liabilities

Bonds, notes, and loans payable	2,139,877
Accrued compensated absences non-current	270,360
Noncurrent liabilities - other	<u>70,995</u>
Total noncurrent liabilities	<u>2,481,232</u>
Total liabilities	<u><u>\$3,168,284</u></u>

The notes to the financial statements are an integral part of these statements

BUTLER METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2006

NET ASSETS

Invested in capital assets, net of related debt	\$15,021,439
Unrestricted net assets	<u>3,167,843</u>
Total net assets	<u><u>\$18,189,282</u></u>

The notes to the financial statements are an integral part of these statements

BUTLER METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

OPERATING REVENUES

Tenant Revenue	\$1,408,544
Government operating grants	9,130,669
Other revenue	276,911
Total operating revenues	<u>10,816,124</u>

OPERATING EXPENSES

Administrative	2,736,777
Tenant services	3,018
Utilities	1,033,739
Maintenance	1,720,380
Protective services	84,722
General	349,742
Housing assistance payment	4,669,023
Other operating expenses	1,773
Depreciation	1,975,274
Total operating expenses	<u>12,574,448</u>
Operating income (loss)	<u>(1,758,324)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	92,952
Interest expense	(93,887)
Total nonoperating revenues (expenses)	<u>(935)</u>
Income (loss) before contributions and transfers	(1,759,259)
Capital grants	1,910,456
Change in net assets	<u>151,197</u>

Total net assets - beginning	18,015,416
Prior Period Adjustment	22,669
Total net assets - ending	<u><u>\$18,189,282</u></u>

The notes to the financial statements are an integral part of these statements

BUTLER METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$9,141,104
Tenant revenue received	1,538,038
Other revenue received	276,911
General and administrative expenses paid	(5,878,396)
Housing assistance payments	(4,669,023)

Net cash provided (used) by operating activities **408,634**

CASH FLOWS FROM INVESTING ACTIVITIES

Transfer from investment	(325,819)
Interest earned	92,952

Net cash provided (used) by investing activities **(232,867)**

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	1,923,319
Debt principal payment	(161,841)
Interest paid on Debt	(93,887)
Property and equipment purchased	(1,925,611)

Net cash provided (used) by capital and related activities **(258,020)**

Net increase (decrease) in cash	(82,253)
Cash and cash equivalents - Beginning of year	503,608

Cash and cash equivalents - End of year **\$421,355**

The notes to the financial statements are an integral part of these statements

BUTLER METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2006

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$1,758,324)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	1,975,274
- (Increases) Decreases in Accounts Receivable	18,754
- (Increases) Decreases in Noncurrent Receivable	12,000
- (Increases) Decreases in Prepaid Assets	93,937
- (Increases) Decreases in Inventory	14,069
- Increases (Decreases) in Accounts Payable	(3,879)
- Increases (Decreases) in Accrued Expenses Payable	31,179
- Increases (Decreases) in Deferred Revenue	(285)
- Increases (Decreases) in Other Current Liabilities	(64,416)
- Increases (Decreases) in Other Noncurrent Liabilities	70,995
- Increases (Decreases) in Accrued Compensated Absences	13,351
- Increases (Decreases) in Tenant Security Deposits	5,979
	5,979
Net cash provided by operating activities	\$408,634

The notes to the financial statements are an integral part of these statements

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Butler Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

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

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

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

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

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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

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

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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

Description of programs

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

A. **Public Housing Program**

The public housing program is designed to provide low-cost housing within the Butler County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. **Capital Fund Program**

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. **Business Activity**

The business activity represents a fund to account for the activities for Knight-Bridge building. This is a commercial building purchased during the year and is leased for the purpose of providing additional income for the Housing Authority.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2006 totaled \$92,952.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

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

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

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

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (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.

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

At fiscal year end June 30, 2006, the carrying amount of the Authority's deposits totaled \$421,355 and its bank balance was \$666,435. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, \$566,435 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Investments

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

BUTLER METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2006
 (CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

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

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 5 years.

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

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

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

A reconciliation of cash and investments as shown on the statement of net assets follows:

Cash and Cash Equivalent	
- Checking Account (FSS Escrow Funds)	\$70,994
- Money Market fund	166,138
Investments – U.S. Treasury / Agency Securities	2,655,646
 Total	 \$2,892,778

NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of expenditure of Federal Awards is a summary of the activity of the Authority’s federal awards programs. The schedule has been prepared on the accrual basis of accounting.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2006 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 5: CAPITAL ASSETS

	Balance 06/30/05	Adjust / Additions	Adjust / Deletion	Balance 06/30/06
Capital Assets Not Depreciated:				
Land	\$3,266,143	\$0	(\$8,892)	\$3,257,251
Construction in Progress	1,604,089	353,094	0	1,957,183
Total Capital Assets Not Being Depreciated	4,870,232	353,094	(8,892)	5,214,434
Capital Assets Being Depreciated:				
Land Improvement	679,389	7,839	0	687,228
Buildings	60,158,594	1,557,362	8,892	61,724,848
Furnt, Mach. & Equip - Admin	1,638,108	7,316	0	1,645,424
Total Capital Assets Being Depreciated	62,476,091	1,572,517	8,892	64,057,500
Accumulated Depreciated:				
Land Improvement	121,165	69,115	0	190,280
Buildings	48,663,400	1,793,209	(22,837)	50,433,772
Furnt, Mach. & Equip - Admin	1,206,695	112,949	0	1,319,644
Total Accumulated Depreciated	49,991,260	1,975,273	(22,837)	51,943,696
Total Capital Assets Being Depreciated, Net	12,484,831	(402,756)	31,729	12,113,804
Total Capital Assets, Net	\$17,355,063	(\$49,662)	\$22,837	\$17,328,238

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits 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.

Plan members were required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the employer pension contribution rate was 13.55 percent. Effective January 1, 2006 the rates increase to 9 percent for members and 13.7 for employers. Contributions are authorized by state statute. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority required contributions to OPERS for the years ended June 30, 2006, 2005, and 2004 \$310,933, \$284,918 and \$286,484 respectively. Ninety-Two percent has been contributed for 2006. All required contributions for the two previous years have been paid.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2006 was 4.0 percent of covered payroll, which amounted to \$91,306. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 8: Prior Period Adjustment

The beginning net asset balance needed to be adjusted for the following:

Low Rent Public Housing:

- Adjustment to correct accumulated depreciation	\$24,077
- Adjustment to reconcile net assets	(168)

Business Activities:

- Adjustment to correct accumulated depreciation	(1,240)
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Total Prior Period Adjustment	<u>\$22,669</u>
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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 management equipment. The note is scheduled to mature on May 1, 2015 and is secured by a trust indenture dated May 1, 2003 to Fifth Third Bank, Cincinnati, Ohio as the lender. The note bearers interest rate of 4.230%, payable in quarterly installments. The outstanding balance as of June 30, 2006 is \$1,555,727.

Knight-Bridge Loan

On September 10, 2002 the Authority obtain a loan from Fifth Third Bank, Cincinnati, Ohio for \$425,000 to finance the purchase of a commercial building. The \$425,000 note bears an interest rate of 6.5% fixed rate over 5 years. The interest is calculated based on a 30 days calendar month over a 360-day year. The note is scheduled to mature on October 1, 2007 with a balloon payment of \$365,000. Monthly payments of \$3,169 are being made. The outstanding balance as of June 30, 2006 is \$376,072.

The Authority borrowed \$375,000 from the Housing Choice Voucher Program to provide a down payment on the purchase of the Knight-Bridge building. The amount borrowed will be repaid back to the voucher program, as excess funds are available from rental income. Know that the building has been leased, the Authority is anticipating that it will be able to start repaying the loan back at an estimated amount of \$500 per month.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 9: LONG-TERM DEBT

Principal and interest payments for the years following June 30, 2006 are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$166,922	\$88,875	\$255,797
2008	529,234	64,942	594,176
2009	167,495	50,274	217,769
2010	174,511	43,258	217,769
2011	181,831	35,938	217,769
2012 – 2016	765,806	75,974	841,780
2017 - 2021	30,000	0	30,000
2022 – 2026	30,000	0	30,000
2027 – 2031	30,000	0	30,000
2032 – 2036	30,000	0	30,000
2037 – 2041	30,000	0	30,000
2042 – 2046	30,000	0	30,000
2047 – 2051	30,000	0	30,000
2052 – 2056	30,000	0	30,000
2057 – 2061	30,000	0	30,000
2062 – 2066	30,000	0	30,000
2067 – 2071	21,000	0	21,000
Total	<u>\$2,306,799</u>	<u>\$359,261</u>	<u>\$2,666,060</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

<u>DESCRIPTION</u>	<u>BALANCE</u>			<u>BALANCE</u>
	<u>06/30/05</u>	<u>ISSUED</u>	<u>RETIRED</u>	
Energy Performance Loan	\$1,698,831	0	\$143,104	\$1,555,727
Fifth Third Bank - Knight-Bridge	394,809	0	18,737	376,072
Voucher - Knight-Bridge	375,000	0	0	375,000
TOTAL	<u>\$2,468,640</u>	<u>\$ 0</u>	<u>\$161,841</u>	<u>\$2,306,799</u>

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$73,341	\$40,724	\$0	\$121,338	\$27,250	\$262,653
114	Cash - Tenant Security Deposits	\$0	\$158,702	\$0	\$0	\$0	\$158,702
100	Total Cash	\$73,341	\$199,426	\$0	\$121,338	\$27,250	\$421,355
121	Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$40,413	\$0	\$40,413
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$2,428	\$0	\$14,387	\$16,815
124	Accounts Receivable - Other Government	\$342	\$0	\$0	\$0	\$0	\$342
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$159,630	\$0	\$0	\$0	\$159,630
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$20,752)	\$0	\$0	\$0	(\$20,752)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$6,000	\$0	\$6,000
120	Total Receivables, net of allowances for doubtful accounts	\$342	\$138,878	\$2,428	\$46,413	\$14,387	\$202,448
131	Investments - Unrestricted	\$0	\$2,821,358	\$0	\$425	\$0	\$2,821,783
132	Investments Restricted	\$0	\$0	\$0	\$70,995	\$0	\$70,995
142	Prepaid Expenses and Other Assets	\$0	\$75,445	\$0	\$0	\$0	\$75,445
143	Inventories	\$0	\$78,213	\$0	\$0	\$0	\$78,213
143.1	Allowance for Obsolete Inventories	\$0	(\$3,911)	\$0	\$0	\$0	(\$3,911)
144	Interprogram Due From	\$0	\$73,879	\$0	\$0	\$0	\$73,879
150	Total Current Assets	\$73,683	\$3,383,288	\$2,428	\$239,171	\$41,637	\$3,740,207
161	Land	\$117,840	\$3,319,867	\$0	\$0	\$506,772	\$3,944,479
162	Buildings	\$608,892	\$56,806,506	\$0	\$0	\$4,309,450	\$61,724,848

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
164	Furniture, Equipment & Machinery - Administration	\$39,915	\$1,295,978	\$0	\$71,495	\$238,036	\$1,645,424
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	(\$137,369)	(\$50,907,000)	\$0	(\$47,587)	(\$851,740)	(\$51,943,696)
167	Construction In Progress	\$0	\$0	\$0	\$0	\$1,957,183	\$1,957,183
160	Total Fixed Assets, Net of Accumulated Depreciation	\$629,278	\$10,515,351	\$0	\$23,908	\$6,159,701	\$17,328,238
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$363,000	\$0	\$363,000
180	Total Non-Current Assets	\$629,278	\$10,515,351	\$0	\$386,908	\$6,159,701	\$17,691,238
190	Total Assets	\$702,961	\$13,898,639	\$2,428	\$626,079	\$6,201,338	\$21,431,445
312	Accounts Payable <= 90 Days	\$0	\$92,326	\$0	\$901	\$0	\$93,227
321	Accrued Wage/Payroll Taxes Payable	\$0	\$127,154	\$0	\$13,606	\$0	\$140,760
322	Accrued Compensated Absences - Current Portion	\$0	\$82,400	\$0	\$7,720	\$0	\$90,120
325	Accrued Interest Payable	\$2,070	\$0	\$0	\$0	\$0	\$2,070
341	Tenant Security Deposits	\$8,000	\$158,703	\$0	\$0	\$0	\$166,703
342	Deferred Revenues	\$0	\$0	\$0	\$0	\$27,250	\$27,250
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$18,500	\$148,422	\$0	\$0	\$0	\$166,922
347	Interprogram Due To	\$0	\$0	\$2,428	\$57,064	\$14,387	\$73,879
310	Total Current Liabilities	\$28,570	\$609,005	\$2,428	\$79,291	\$41,637	\$760,931
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$732,572	\$1,407,305	\$0	\$0	\$0	\$2,139,877

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
354	Accrued Compensated Absences - Non Current	\$0	\$247,202	\$0	\$23,158	\$0	\$270,360
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$70,995	\$0	\$70,995
350	Total Noncurrent Liabilities	\$732,572	\$1,654,507	\$0	\$94,153	\$0	\$2,481,232
300	Total Liabilities	\$761,142	\$2,263,512	\$2,428	\$173,444	\$41,637	\$3,242,163
508.1	Invested in Capital Assets, Net of Related Debt	(\$121,794)	\$8,959,624	\$0	\$23,908	\$6,159,701	\$15,021,439
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$63,613	\$2,675,503	\$0	\$428,727	\$0	\$3,167,843
513	Total Equity/Net Assets	(\$58,181)	\$11,635,127	\$0	\$452,635	\$6,159,701	\$18,189,282
600	Total Liabilities and Equity/Net Assets	\$702,961	\$13,898,639	\$2,428	\$626,079	\$6,201,338	\$21,431,445
703	Net Tenant Rental Revenue	\$0	\$1,392,242	\$0	\$0	\$0	\$1,392,242
704	Tenant Revenue - Other	\$0	\$16,302	\$0	\$0	\$0	\$16,302
705	Total Tenant Revenue	\$0	\$1,408,544	\$0	\$0	\$0	\$1,408,544
706	HUD PHA Operating Grants	\$0	\$3,055,963	\$2,428	\$5,687,157	\$385,121	\$9,130,669
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$1,910,456	\$1,910,456
711	Investment Income - Unrestricted	\$238	\$74,547	\$0	\$16,767	\$0	\$91,552
715	Other Revenue	\$96,420	\$109,763	\$0	\$70,728	\$0	\$276,911
720	Investment Income - Restricted	\$0	\$0	\$0	\$1,400	\$0	\$1,400
700	Total Revenue	\$96,658	\$4,648,817	\$2,428	\$5,776,052	\$2,295,577	\$12,819,532

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$0	\$1,043,763	\$0	\$454,761	\$142,056	\$1,640,580
912	Auditing Fees	\$0	\$10,000	\$0	\$5,000	\$0	\$15,000
914	Compensated Absences	\$0	\$7,609	\$0	(\$1,735)	\$0	\$5,874
915	Employee Benefit Contributions - Administrative	\$0	\$410,919	\$0	\$174,273	\$56,820	\$642,012
916	Other Operating - Administrative	\$707	\$370,377	\$0	\$62,227	\$0	\$433,311
922	Relocation Costs	\$0	\$0	\$0	\$0	\$590	\$590
924	Tenant Services - Other	\$0	\$0	\$2,428	\$0	\$0	\$2,428
931	Water	\$0	\$131,189	\$0	\$0	\$0	\$131,189
932	Electricity	\$0	\$376,834	\$0	\$0	\$0	\$376,834
933	Gas	\$0	\$345,573	\$0	\$0	\$0	\$345,573
938	Other Utilities Expense	\$0	\$180,143	\$0	\$0	\$0	\$180,143
941	Ordinary Maintenance and Operations - Labor	\$0	\$599,115	\$0	\$0	\$0	\$599,115
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$171,159	\$0	\$0	\$26,447	\$197,606
943	Ordinary Maintenance and Operations - Contract Costs	\$15,387	\$634,326	\$0	\$0	\$0	\$649,713
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$273,946	\$0	\$0	\$0	\$273,946
952	Protective Services - Other Contract Costs	\$0	\$4,357	\$0	\$84	\$80,281	\$84,722
961	Insurance Premiums	\$3,255	\$233,629	\$0	\$0	\$0	\$236,884
962	Other General Expenses	\$0	\$1,573	\$0	\$363	\$0	\$1,936
964	Bad Debt - Tenant Rents	\$0	\$105,003	\$0	\$0	\$0	\$105,003
967	Interest Expense	\$25,223	\$68,664	\$0	\$0	\$0	\$93,887
968	Severance Expense	\$0	\$5,919	\$0	\$0	\$0	\$5,919
969	Total Operating Expenses	\$44,572	\$4,974,098	\$2,428	\$694,973	\$306,194	\$6,022,265

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
970	Excess Operating Revenue over Operating Expenses	\$52,086	(\$325,281)	\$0	\$5,081,079	\$1,989,383	\$6,797,267
972	Casualty Losses - Non-Capitalized	\$0	\$1,773	\$0	\$0	\$0	\$1,773
973	Housing Assistance Payments	\$0	\$0	\$0	\$4,669,023	\$0	\$4,669,023
974	Depreciation Expense	\$37,078	\$1,523,038	\$0	\$9,640	\$405,518	\$1,975,274
900	Total Expenses	\$81,650	\$6,498,909	\$2,428	\$5,373,636	\$711,712	\$12,668,335
1001	Operating Transfers In	\$0	\$78,927	\$0	\$0	\$0	\$78,927
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	(\$78,927)	(\$78,927)
1010	Total Other Financing Sources (Uses)	\$0	\$78,927	\$0	\$0	(\$78,927)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$15,008	(\$1,771,165)	\$0	\$402,416	\$1,504,938	\$151,197
1103	Beginning Equity	(\$71,949)	\$13,382,383	\$0	\$50,219	\$4,654,763	\$18,015,416
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$1,240)	\$23,909	\$0	\$0	\$0	\$22,669
	Ending Equity	(\$58,181)	\$11,635,127	\$0	\$452,635	\$6,159,701	\$18,189,282
1120	Unit Months Available	0	13,440	0	11,105	0	24,545
1121	Number of Unit Months Leased	0	11,473	0	11,105	0	22,578

Butler Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2006

Capital Fund Program Number OH10P01550102

1. The Program Costs are as follows:

Funds Approved	\$2,364,460
Funds Expended	<u>2,364,460</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$2,364,460
Funds Expended	<u>2,364,460</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on August 2, 2006.
4. The final costs on the certification agree to the Authority's records.

Butler Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended June 30, 2006

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$3,055,963
Housing Choice Voucher	14.871	5,687,157
Public Housing Capital Fund Program	14.872	2,295,577
Resident Opportunity and Supportive Services	14.876	<u>2,428</u>
 Total Expenditure of Federal Award		 <u>\$11,041,125</u>



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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

I have audited the financial statements of the Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2006, and have issued my report thereon dated December 15, 2006. I conducted my 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 my audit, I considered Butler Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I have reported to management of Butler Metropolitan Housing Authority, Ohio, in a separate letter dated December 15, 2006.

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



Salvatore Consiglio, CPA, Inc.

December 15, 2006



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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

Compliance

I 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, 2006. Butler Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result 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 Butler Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Butler Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Butler Metropolitan Housing Authority, Ohio's compliance with those requirements.

As discussed in item 2006-BMHA-1 and 2006-BMHA-2 in the accompanying schedule of findings and questioned costs, Butler Metropolitan Housing Authority, Ohio, did not comply with requirements regarding reporting and eligibility that are applicable to its Low Rent Public Housing Program. Compliance with such requirement is necessary, in my opinion, for Butler Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, 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, 2005.

Internal Control Over Compliance

The management of 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 my audit, I considered Butler Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

December 15, 2006

Butler Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Was there any material internal control weakness conditions reported for major federal programs?	No
Was there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA #14.850 and 14.871- Low Rent Public Housing and Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: > \$331,234 Type B: All Others
Low Risk Audit?	No

Butler Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2006

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

There are no Findings for the year ended June 30, 2006.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

REPORTABLE CONDITION

FINDING NUMBER	2006-BMHA-1
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Financial Reporting

**U.S. Department of HUD
Low Rent Public Housing Program (CFDA # 14.850)**

24 CFR Section 5.801 and HUD Uniform Financial Reporting Standards rule requires that a PHA submit its financial statement, prepared in accordance with generally accepted accounting principles, in electronic format specified by HUD. The unaudited financial statements are due 2 months after the PHA's fiscal year end.

The PHA filed its unaudited financial statements for the fiscal year ended June 30, 2006 on September 5, 2006. This date was after the required 2 months dead line. Therefore, the PHA was not in compliance with the above requirement. This error was caused by turn over in the Fee Accountant personnel in charge of Butler Metropolitan Housing Authority account.

Recommendation:

The PHA must comply with above HUD requirement and ascertain that future reporting are done timely.

PHA Action:

Butler Metropolitan Housing Authority RFP for Fee Accounting Services and will make sure that future reporting will meet the above requirement. The PHA Director of Finance will ascertain that compliance with the above requirement. This item is correct as of the date of this report.

Butler Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2006

FINDING NUMBER	2006-BMHA-2
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Supporting Documentation

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)**

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Audit procedures over 60 Low Rent Public Housing Program tenant files revealed the following information was not available in the files reviewed:

- 3 files did not properly document income verification.
- 2 file did not properly document a sign release form HUD-9886 for the PHA to obtain income verification.
- 13 files did not properly document the tenant declaration of citizenship.
- 2 files did not contain the HUD-50058 form for end of participation.
- 1 file did not have HUD-50058 for the period under audit.

The above errors may have been caused by the resignation of public housing manager which may have resulted in a period were files were not properly reviewed for quality assurance.

Recommendation:

The PHA must assure that a proper system is in place to review tenant files and that the files include all required documentation.

Corrective Action Plan:

A proper system for QA files will be implemented. The Executive Director will be responsible to ascertain that files are properly reviewed. These procedures will be implemented at once.

Butler Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 June 30, 2006

The following are the status of the June 30, 2005 and prior year audit findings.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-GAS-1 & 2005-BMHA-1	Operating Reserve	Yes	Corrected. PHA is properly monitoring its operating reserve.
2005-GAS-2 & 2005-BMHA-2	Cost Allocation Plan	Yes	Corrected. Plan was reviewed and updated.
2005-BMHA-3	Cash Management	Yes	Corrected. Reimbursement done timely.



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
MAY 10, 2007**