

Butler Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2007



Mary Taylor, CPA

Auditor of State

Board of Directors
Butler Metropolitan Housing Authority
4110 Hamilton Middleton Rd.
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, 2006 through June 30, 2007. 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

March 25, 2008

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BUTLER METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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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, 2007, 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 basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, 2007, 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 my report dated December 07, 2007, on my consideration of the 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 an opinion on the financial statements that collectively comprise the Butler Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure 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 statement and certification of actual costs are presented for purposes additional analysis as required by the 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 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 07, 2007

BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited

This management 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, 2007. 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 \$18,669,498 (net assets) as opposed to \$18,189,282 for the prior fiscal year.
- The Authority's cash and investments balance as of the close of the current fiscal year was \$3,235,257 representing a decrease of \$78,876 from the prior fiscal year.
- The Authority had total revenues of \$12,669,998 and total expenses of \$12,122,411 for the current fiscal year.
- The Authority expended \$1,748,894 in Capital Grant Funding for improvements to the Public Housing units. In addition, \$247,527 of operational funds were expended rehabilitating Project 10.

REQUIRED FINANCIAL STATEMENTS

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

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

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

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**

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

FINANCIAL ANALYSIS OF THE AUTHORITY

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 I.

**Butler Metropolitan Housing Authority
Combined Statement of Net Assets
TABLE I**

	<u>2007</u>	<u>2006</u>	<u>Total Change</u>	<u>% Change</u>
Current Assets	\$3,745,025	\$3,666,328	\$78,697	2.15%
Capital & Other Assets	17,738,551	17,691,238	47,313	0.27%
Total Assets	<u>21,483,576</u>	<u>21,357,566</u>	<u>126,010</u>	<u>0.59%</u>
Current Liabilities	1,022,006	687,052	334,954	48.75%
Noncurrent Liabilities	1,792,072	2,481,232	(689,160)	-27.77%
Total Liabilities	<u>2,814,078</u>	<u>3,168,284</u>	<u>(354,206)</u>	<u>-11.18%</u>
Invested in Capital Assets				
Net of Related Debt	15,242,764	15,021,439	221,325	1.47%
Unrestricted Retained Earnings	3,426,734	3,167,843	258,891	8.17%
Total Net Assets	<u>18,669,498</u>	<u>18,189,282</u>	<u>480,216</u>	<u>2.64%</u>
Total Liabilities & Net Assets	<u>\$21,483,576</u>	<u>\$21,357,566</u>	<u>\$126,010</u>	<u>0.59%</u>

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**

As illustrated in the Combined Statement of Net Assets, the overall Net Assets of the Authority increased by \$480,216. The "Invested in Capital Assets" increased by \$221,325, and Unrestricted Net Assets increased by \$258,891.

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 II, which follows, provides a combined statement of these changes.

**Butler Metropolitan Housing Authority
Combined Statement of Revenues, Expenses and Change in Net Assets
TABLE II**

	2007	2006	Total Change	% Change
Tenant Revenue	\$1,550,086	\$1,408,544	\$141,542	10.05%
Grant Funding	10,695,642	11,041,125	(345,483)	-3.13%
Other Income Interest	424,270	369,863	54,407	14.71%
Total Revenue	12,669,998	12,819,532	(149,534)	-1.17%
Administration	2,495,773	2,736,777	(241,004)	-8.81%
Tenant Services	17,500	3,018	14,482	479.85%
Utilities	949,842	1,033,739	(83,897)	-8.12%
Maintenance	1,601,007	1,722,153	(121,146)	-7.03%
Protective Services	1,792	84,722	(82,930)	-97.88%
General expense	480,816	443,629	37,187	8.38%
Housing assistance payments	4,591,221	4,669,023	(77,802)	-1.67%
Depreciation	1,984,460	1,975,274	9,186	0.47%
Total Expenses	12,122,411	12,668,335	(545,924)	-4.31%
Change in Net Assets	547,587	151,197	396,390	262.17%
Beginning Net Assets	18,189,282	18,015,416	173,866	0.97%
Transfer of Equity/Adjustments	(67,371)	22,669	(90,040)	-397.19%
Ending Net Assets	\$18,669,498	\$18,189,282	\$480,216	2.64%

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**

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

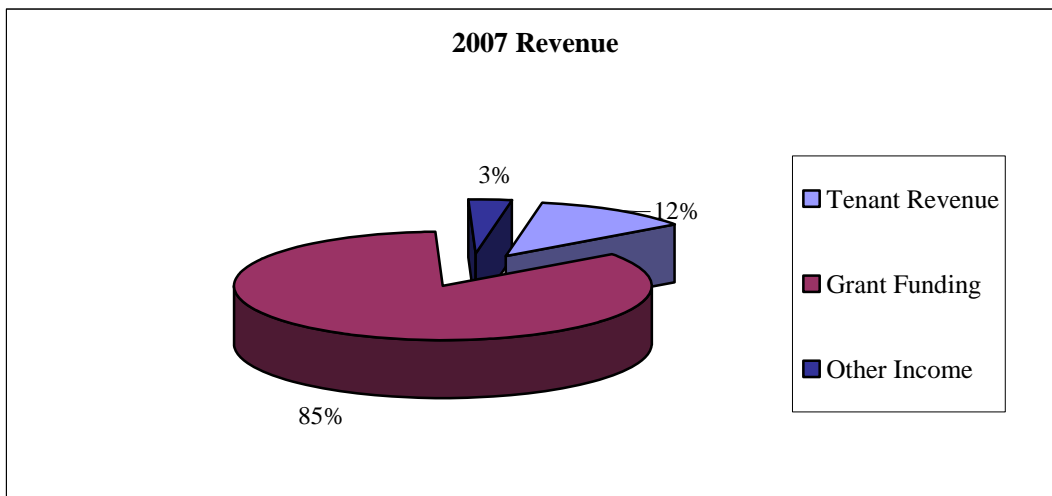
**Combined Statement of Revenues, Expenses and Change in Net Assets - By Program
Fiscal Year Ended June 30, 2007
TABLE III**

	Business Activities	Low Rent Public Housing	ROSS	Housing Choice Vouchers	Capital Fund	Total
Tenant Revenue	\$0	\$1,550,086	\$0	\$0	\$0	\$1,550,086
Grant Funding	-	2,799,382	17,500	5,771,824	2,106,936	10,695,642
Other Income	97,885	286,580	-	39,805	-	424,270
Total Revenue	97,885	4,636,048	17,500	5,811,629	2,106,936	12,669,998
Administration	3,849	1,731,142	-	605,381	155,401	2,495,773
Tenant Services	-	-	17,500	-	-	17,500
Utilities	-	949,842	-	-	-	949,842
Maintenance	18,211	1,557,982	-	25	24,789	1,601,007
Protective Services	-	1,792	-	-	-	1,792
General expense	28,124	451,491	-	1,201	-	480,816
Housing assistance payments	-	-	-	4,591,221	-	4,591,221
Depreciation	37,470	1,880,900	-	7,038	59,052	1,984,460
Total Expenses	87,654	6,573,149	17,500	5,204,866	239,242	12,122,411
Change in Net Assets	10,231	(1,937,101)	-	606,763	1,867,694	547,587
Beginning Net Assets	(58,181)	11,635,127	-	452,635	6,159,701	18,189,282
Operating Transfers	-	177,851	-	-	(177,851)	-
Transfer of Equity/Adjustments	-	4,179,591	-	(96,222)	(4,150,740)	(67,371)
Ending Net Assets	(\$47,950)	\$14,055,468	\$0	\$963,176	\$3,698,804	\$18,669,498

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**

REVENUES

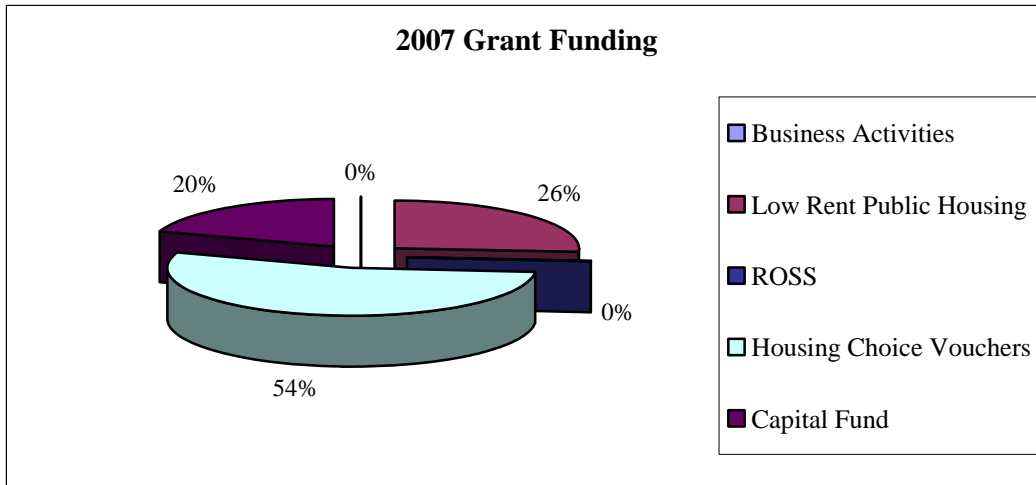
In reviewing the Statement of Revenues, Expenses, and Net Assets, you will note that 85% of the Authority's revenues are derived from grants from the Department of Housing and Urban Development and Others. The Authority received revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges of 12% of total revenue. Other Revenue including Interest from Investments comprised the remaining 3%. Compared to the Fiscal Year Ended June 30, 2006, revenues had an overall decrease of \$149,534 (1.17%) as the result of lower Capital Fund grants. Tenant revenue and other income were both higher.



Tenant Revenue - Tenant Revenue increased from \$1,408,544 to \$1,550,086, an increase of 10.05%.

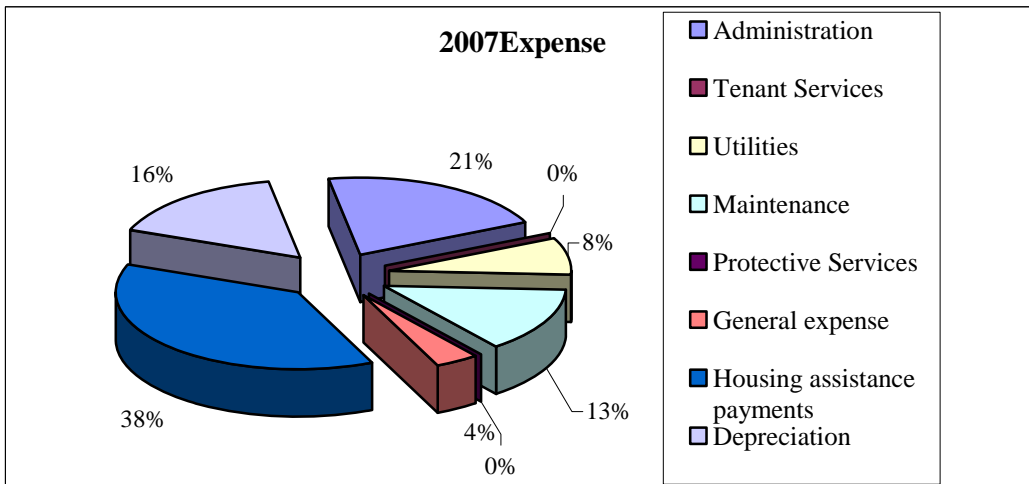
Program Grants/Subsidies – Grant revenue decreased \$345,483 (3.13%) compared to the previous year.

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**



EXPENSES

The Butler Metropolitan Housing Authority experienced a decrease in expenses for the current year from \$12,668,335 to \$12,122,411 or \$545,924 (4.31%). The highlights of the expenses for the current year are as follows:



BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited

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 2006, administrative costs decreased by \$241,004 (8.81%), resulting primarily from decreases in personnel costs.

Tenant Services – Tenant Services costs include all costs incurred by the Authority to provide social services to the residents. Compared to 2006, tenant services costs increased by \$14,482 (479.85%) due to increased funding for the ROSS grant.

Utilities - The total utilities expense for the Authority decreased by \$83,897 (8.12%) due to a milder than normal winter.

Maintenance – Maintenance costs are all costs incurred by the Authority to maintain the public housing units in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management and telephone/radio service, etc. The Maintenance Expense for the Authority decreased by \$121,146 (7.03%) due to lower personnel and maintenance contract costs.

Protective Services - The total protective service expenses for the Authority decreased by \$82,930 (97.88%) due to cost savings measures taking.

General Expenses – General Expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, etc.), collection losses, severance pay and interest expense. These expenses increased by \$37,187 (8.38%) due to increased collection loss and severance 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 decreased by \$77,802 (1.67%) due to lower average HAP payments.

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 increased by \$9,186 (.47%) as a result of placing more Capital Fund assets into service.

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**

CAPITAL ASSETS

At the end of fiscal year 2006 the Authority had invested in Capital Assets \$17,328,238 net of depreciation. As of June 30, 2007, the investment in Capital Assets had increased by \$53,313 to \$17,381,551. The following illustrates the Capital Asset values for 2006 and 2007.

**Butler Metropolitan Housing Authority
Combined Statement of Capital Assets
TABLE IV**

	2007	2006	Total Change	% Change
Land	\$3,944,479	\$3,944,479	\$0	0.00%
Buildings & improvements	63,468,660	61,724,849	1,743,811	2.83%
Equipment	1,641,298	1,645,425	(4,127)	-0.25%
Construction in Progress	2,036,163	1,957,183	78,980	4.04%
	71,090,600	69,271,936	1,818,664	2.63%
Accumulated Depreciation	(53,709,049)	(51,943,698)	(1,765,351)	3.40%
Total Capital Assets	\$17,381,551	\$17,328,238	\$53,313	0.31%

LONG-TERM DEBT OBLIGATIONS

At the end of fiscal year 2007, the Authority owed the following:

\$1,407,304 on a bank note to provide funding to acquire and install certain energy saving items in the dwelling units

\$368,483 on a bank loan to finance the purchase of Knightsbridge, a commercial building

\$363,000 loan payable to the Housing Voucher program which provided a down payment on the purchase of the Knightsbridge building

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**

**Butler Metropolitan Housing Authority
Outstanding Debt Balance
TABLE V**

	<u>2007</u>	<u>2006</u>
Outstanding principal balance at beginning of year	\$ 2,306,799	\$ 2,468,640
Less:		
Principal payments made during the year	<u>(168,012)</u>	<u>(161,841)</u>
Outstanding principal balance at end of year	<u>\$ 2,138,787</u>	<u>\$ 2,306,799</u>

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.

- ◇ For the first time in the history of the program, 2007 funding levels for the Public Housing Operating Subsidy Program are at an all time low of 83%. The 2008 federal budget is anticipating an even lower appropriation level of roughly 80%. Cuts of this magnitude will severely affect the basic operations of the authority. Not only will some big expense items have to be eliminated, but ultimately also those basic to providing safe and sanitary housing to the communities that we serve.
- ◇ Beginning in our new fiscal year 2008, Public Housing Authorities will manage their properties in a whole new way. HUD has mandated that all Authorities managing 250 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. The Butler Metropolitan Housing Authority is currently transitioning to this new management model, the effectiveness of which will be determined in future fiscal years.

**BUTLER METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007
Unaudited**

- ◇ 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 FY 2007, 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 maintained a healthy net asset position, and it should be noted that the Public Housing Program succeeded in having a positive bottom line for the first time in six years. Analyses are ongoing to try to determine the best way to bring Public Housing back to a healthier, stable financial position. The long awaited demolition of the Bambo Harris project was completed in the early part of the current fiscal year, and discussions and planning continue in an effort to find funding sources to provide replacement housing units for that project. 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.

- ◇ 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 Patrick Bach, Executive Director, at (513) 896-4411 or by writing: Butler Metropolitan Housing Authority, 4110 Hamilton-Middletown Road, Hamilton, Ohio 45011-6218.

BUTLER METROPOITAN HOUSING AUTHORITY
Hamilton, Ohio

STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets

Cash & investments	\$ 3,235,257
Accounts receivable	349,253
Prepaid expenses	69,475
Inventories	<u>91,040</u>
 Total Current Assets	 <u>3,745,025</u>

Capital Assets:

Land	3,944,479
Buildings & improvements	63,468,660
Furniture & equipment	1,641,299
Construction in progress	<u>2,036,162</u>

	71,090,600
Less: Accumulated depreciation	<u>(53,709,049)</u>

Capital Assets, net	<u>17,381,551</u>
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Other noncurrent assets

Notes, Loans & Mortgages Receivable-Non-current	<u>357,000</u>
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Total Noncurrent Assets	<u>17,738,551</u>
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TOTAL ASSETS	\$ <u>21,483,576</u>
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The notes to the financial statements are an integral part of these statements.

BUTLER METROPOITAN HOUSING AUTHORITY
Hamilton, Ohio

STATEMENT OF NET ASSETS – Continued
JUNE 30, 2007

LIABILITIES & NET ASSETS

Current Liabilities

Accounts payable	\$ 120,421
Accrued expenses	184,771
Long-term liabilities - current portion	529,307
Tenant security deposits	<u>187,507</u>
Total Current Liabilities	<u>1,022,006</u>

Noncurrent Liabilities

Mortgage payable - net of current portion	1,609,480
Accrued compensated absences	<u>182,592</u>
Total Noncurrent Liabilities	<u>1,792,072</u>

TOTAL LIABILITIES 2,814,078

NET ASSETS

Invested in capital assets, net of related debt	15,242,764
Unrestricted net assets	<u>3,426,734</u>
TOTAL NET ASSETS	<u>18,669,498</u>

TOTAL LIABILITIES & NET ASSETS \$ 21,483,576

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

BUTLER METROPOITAN HOUSING AUTHORITY
Hamilton, Ohio

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Operating Revenue</u>	
Dwelling rent	\$ 1,550,086
Governmental grants & subsidy	8,946,748
Other income	312,009
Total Operating Revenue	<u>10,808,843</u>
<u>Operating Expenses</u>	
Administration	2,495,773
Tenant services	17,500
Utilities	949,842
Ordinary maintenance & operations	1,601,007
Protective services	1,792
General expense	393,109
Housing assistance payments	4,591,221
Depreciation expense	1,984,460
Total Operating Expense	<u>12,034,704</u>
Net Operating Income/(Loss)	<u>(1,225,861)</u>
<u>Non-operating Revenues/(Expenses)</u>	
Investment income	112,261
Interest expense	(87,707)
Net Non-operating Revenues/(Expenses)	<u>24,554</u>
Net Income/(Loss) before capital grants	<u>(1,201,307)</u>
Capital grants	<u>1,748,894</u>
Net Increase/(Decrease) in Net Assets	547,587
Total Net Assets - beginning	18,189,282
Prior period adjustments	(67,371)
Total Net Assets - ending	\$ <u><u>18,669,498</u></u>

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

BUTLER METROPOITAN HOUSING AUTHORITY
Hamilton, Ohio

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING
ACTIVITIES

Receipts from customers and users	\$ 1,770,118
Governmental grants & subsidy - operations	8,955,498
Payments to suppliers	(3,669,918)
Payments for housing assistance	(4,591,221)
Payments to employees	<u>(2,157,783)</u>
 NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	 <u>306,694</u>

CASH FLOWS FROM INVESTING
ACTIVITIES

Interest received	<u>112,261</u>
 NET CASH PROVIDED FROM INVESTING ACTIVITIES	 <u>112,261</u>

CASH FLOWS FROM CAPITAL & RELATED
FINANCING ACTIVITIES

Repayment of mortgage loan	(168,012)
Payment of interest on debt	(87,707)
Grant revenue - capital grants	1,748,894
Proceeds from the sale of assets	5,541
Purchase of fixed assets - capital grant program	(1,748,894)
Purchase of fixed assets - other programs	<u>(247,653)</u>
 NET CASH USED FROM CAPITAL & RELATED FINANCING ACTIVITIES	 <u>(497,831)</u>
 NET INCREASE IN CASH	 (78,876)
CASH AT BEGINNING OF PERIOD	<u>3,314,133</u>
 CASH AT END OF PERIOD	 <u>\$ 3,235,257</u>

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

BUTLER METROPOITAN HOUSING AUTHORITY
Hamilton, Ohio

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Net Operating Income/(Loss)	\$ (1,225,861)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	1,984,460
Decrease (Increase) in accounts receivable	(146,805)
Decrease (Increase) in prepaid expenses	5,970
Decrease (Increase) in inventory	(16,738)
Increase (Decrease) in accounts payable	27,194
Increase (Decrease) in accrued expenses	(315,080)
Increase (Decrease) in deferred revenue	(27,250)
Increase (Decrease) in security/trust deposits	<u>20,804</u>
 NET CASH PROVIDED FROM OPERATING ACTIVITIES	 <u>306,694</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION:**

Payment of Interest	\$ <u>87,707</u>
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The notes to the financial statements are an integral part of these statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

1. Introduction:

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). 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:

2. Organization:

The Butler Metropolitan Housing Authority ("The Authority") is a public body and a body corporate and politic organized under the laws of the State of Ohio 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, the Butler County Commissioners and the Judges; but the Authority designates its own management. The Cities provides no financial support to the Authority and are not responsible for the debts or entitled to the surpluses 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 Governmental 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.

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Reporting Entity:

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board and 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 debts, does not impose a financial burden on the Cities or County and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority - The Authority is governed by a Board of Commissioners appointed by the Cities of Hamilton and Middletown, Butler County Commissioners and Judges. The Board of Commissioners 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 or County has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

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

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

Reporting Entity – Cont'd:

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.

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

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

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

4. Basis of Presentation, Basis of Accounting and Measurement Focus – Cont'd:

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.

5. Revenues and Expenses:

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

6. Encumbrances:

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

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

7. 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.

8. 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.

9. Capital Assets and Depreciation:

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the 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 & improvements	10-20 years
Furniture, fixtures & equipment	3-10 years
Vehicles	5 years

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

10. Collection Losses:

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

11. Insurance:

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

12. 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.

13. Compensated Absences:

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

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

14. Operating Revenue:

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

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

15. New Accounting Pronouncements:

In the prior fiscal year, the Housing Authority implemented the following new accounting standards issued by GASB:

Statement No. 40 – *“Deposit and Investment Risk Disclosures”* (an amendment of GASB-S3), which modifies and expands existing disclosure requirements for deposits and investments as detailed in Note B.

Statement No. 42 - *“Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”*, which establishes accounting and financial reporting standards for impairment of capital assets and applicable details are presented in Note P.

NOTE B - CASH AND CASH EQUIVALENTS:

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

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE B - CASH AND CASH EQUIVALENTS: (Cont'd)

At June 30, 2007, the Authority's deposits had a carrying amount of \$1,383,175 and bank balances of \$1,412,551. Of the bank balances held in Key Bank, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. At June 30, 2007, the Authority's petty cash funds totaled \$1,550.

Investments

At June 30, 2007, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
U S Treasury Securities	<u>\$1,852,082</u>	varies	N/A
Total:	<u><u>\$1,852,082</u></u>		

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

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

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no policy on custodial credit risk.

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

Collateralization:

As of June 30, 2007 all of the Housing Authority cash and investments are properly secured in accordance with federal regulations.

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE B - CASH AND CASH EQUIVALENTS: (Cont'd)

Cash and investments at June 30, 2007 were as follows:

The above balances are contained in the following types of accounts at various financial institutions.

Cash & Investments – Unrestricted

Checking accounts	\$ 1,381,625
U S Treasury Securities	1,852,082
Petty Cash	<u>1,550</u>
Totals	<u>\$ 3,235,257</u>

NOTE C - CURRENT RECEIVABLE:

Current receivables at June 30, 2007, consisted of the following:

HUD	\$ 4,052
Portability HAPs due from other Housing Authorities	44,426
Accounts receivable – Tenants (net of allowances \$135,268)	231,505
Current portion – Note receivable	6,000
Miscellaneous - Insurance Company-Legal fees	<u>63,270</u>
	<u>\$ 349,253</u>

Accounts receivable does not include interprogram amounts totaling \$34,021. This has been eliminated from the consolidated financial statements.

NOTE D - DEFERRED CHARGES:

Deferred charges at June 30, 2007, consisted of the following:

Prepaid insurance & expenses	\$ 69,475
Inventory – (net of obsolete \$4,792)	<u>91,040</u>
	<u>\$ 160,515</u>

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE E - CAPITAL ASSETS:

A summary of changes in capital assets were as follows:

	Balance <u>07/01/06</u>	Adjustments/ <u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance <u>06/30/07</u>
Capital Assets:					
Land	\$ 3,944,479	\$ 0	\$ 0	\$ 0	\$ 3,944,479
Buildings	61,724,849	397,621	0	1,346,190	63,468,660
Equip & Furn.	1,645,425	155,966	(190,259)	30,165	1,641,298
Constr. In Prog.	<u>1,957,183</u>	<u>1,455,335</u>	<u>0</u>	<u>(1,376,355)</u>	<u>2,036,163</u>
	69,271,936	2,008,922	(190,259)	0	71,090,600
Accumulated depreciation	<u>(51,943,698)</u>	<u>0</u>	<u>190,259</u>	<u>(1,955,610)</u>	<u>(53,709,049)</u>
Net Capital Assets	<u>\$ 17,328,238</u>	<u>\$ 2,008,922</u>	<u>\$ 0</u>	<u>\$ (1,955,610)</u>	<u>\$ 17,381,551</u>

The following transactions affected capital assets during the audit period:

Balance as of July 1, 2006	\$ 17,328,238
CFP program additions	1,748,894
Improvements and equipment paid from operations	260,029
Current year depreciation	<u>(1,955,610)</u>

Balance as of June 30, 2007 \$ 17,381,551

Depreciation by Asset Class	Balance at <u>July 1, 2006</u>	<u>Net Change</u>	Balance At <u>June 30, 2007</u>
Buildings	\$ 50,632,724	\$ 1,873,745	\$ 52,506,469
Furniture, equipment & machinery	<u>1,310,974</u>	<u>(108,394)</u>	<u>1,202,580</u>
	<u>\$ 51,943,698</u>	<u>\$ 1,765,351</u>	<u>\$ 53,709,049</u>

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE F - ACCOUNTS PAYABLE:

Accounts payable at June 30, 2007, consisted of the following:

Vendors and contractors payable	\$ 120,421
Tenant security deposits	<u>187,507</u>
	<u>\$ 307,928</u>

Accounts payable does not include interprogram amounts totaling \$34,021. This has been eliminated from the consolidated financial statements.

NOTE G - ACCRUED LIABILITIES & UNEARNED REVENUE:

Accrued liabilities and unearned revenue at June 30, 2007, consisted of the following:

Accrued wages/payroll tax liabilities	\$ 112,335
Accrued compensated absences - current	45,646
Accrued interest payable	1,996
Current portion of long-term debt	529,307
Other	<u>24,794</u>
	<u>\$ 714,078</u>

NOTE H- OTHER NONCURRENT LIABILITIES:

Other noncurrent liabilities at June 30, 2007 consisted of the following:

Accrued compensated absences	<u>\$ 182,592</u>
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NOTE I - 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, 2007 is \$1,407,304.

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(Continued)

NOTE I - Long Term Debt: (Cont'd)

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 bears an interest rate of 6.5% fixed rate over 5 years. The interest is calculated based on a 30 day 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, 2007 is \$368,483.

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, 2007 is \$363,000.

Principal and interest payments for the years following June 30, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended June 30,			
2008	\$ 529,307	\$ 63,779	\$ 593,086
2009	166,332	51,437	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	<u>21,000</u>	<u>0</u>	<u>21,000</u>
	<u>\$ 2,138,787</u>	<u>\$ 270,386</u>	<u>\$ 2,409,173</u>

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE I - Long Term Debt: (Cont'd)

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

Description	Balance 06/30/06	Adjust	Retired	Balance 06/30/07
Energy Performance Loan	\$1,555,727	0	\$ 148,423	\$ 1,407,304
Fifth Third Bank – Knight-Bridge	376,072	6,000	13,589	368,483
Voucher – Knight-Bridge	375,000	-6,000	6,000	363,000
	\$2,306,799	\$0	\$ 168,012	\$ 2,138,787

NOTE J - RELATED PARTY TRANSACTIONS:

There were no related party transactions to be reported for the fiscal year ended June 30, 2007.

NOTE K - 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 L - 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.

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE M - CONTINGENCIES:

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 N - 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, 2007, the Butler Metropolitan Housing Authority experienced no impairments of capital assets that require disclosure.

**NOTE O - 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.

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE O - DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES
RETIREMENT SYSTEM: (Cont'd)

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 invest 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-Direct Plan.

Plan members were required to contribute 9.0 percent of their annual covered salary to fund pension obligations and the employer pension contribution rate was 13.70 percent. Effective January 1, 2007 the rates increased to 9.5 percent for members and 13.85 for employers. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority required contributions to OPERS for the years ended June 30, 2007, 2006 and 2005 \$284,431, \$310,933 and 284,918 respectively. One-Hundred percent has been contributed for 2007. All required contributions for the two previous years have been paid.

NOTE P – 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

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)

NOTE P – POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM: (Cont'd)

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 2007 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2007 was 5.0 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, 2006. 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 2006 was 6.5 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 0.50% to 5.00% 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 374,979. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

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	\$89,221	\$560,300	\$0	\$574,302	\$0	\$1,223,823
114	Cash - Tenant Security Deposits	\$0	\$159,352	\$0	\$0	\$0	\$159,352
100	Total Cash	\$89,221	\$719,652	\$0	\$574,302	\$0	\$1,383,175
121	Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$44,426	\$0	\$44,426
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$4,052	\$4,052
125	Accounts Receivable - Miscellaneous	\$0	\$63,270	\$0	\$0	\$0	\$63,270
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$366,773	\$0	\$0	\$0	\$366,773
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$135,268)	\$0	\$0	\$0	(\$135,268)
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	\$0	\$294,775	\$0	\$50,426	\$4,052	\$349,253
131	Investments - Unrestricted	\$0	\$1,852,082	\$0	\$0	\$0	\$1,852,082
142	Prepaid Expenses and Other Assets	\$0	\$69,475	\$0	\$0	\$0	\$69,475
143	Inventories	\$0	\$95,832	\$0	\$0	\$0	\$95,832
143.1	Allowance for Obsolete Inventories	\$0	(\$4,792)	\$0	\$0	\$0	(\$4,792)
144	Interprogram Due From	\$0	\$4,052	\$0	\$29,969	\$0	\$34,021
150	Total Current Assets	\$89,221	\$3,031,076	\$0	\$654,697	\$4,052	\$3,779,046
161	Land	\$117,840	\$3,826,639	\$0	\$0	\$0	\$3,944,479
162	Buildings	\$608,892	\$61,363,484	\$0	\$0	\$1,496,284	\$63,468,660
164	Furniture, Equipment & Machinery - Administration	\$52,415	\$1,286,889	\$0	\$63,737	\$238,258	\$1,641,299

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

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
166	Accumulated Depreciation	(\$174,839)	(\$53,415,443)	\$0	(\$46,867)	(\$71,900)	(\$53,709,049)
167	Construction In Progress	\$0	\$0	\$0	\$0	\$2,036,162	\$2,036,162
160	Total Fixed Assets, Net of Accumulated Depreciation	\$604,308	\$13,061,569	\$0	\$16,870	\$3,698,804	\$17,381,551
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$357,000	\$0	\$357,000
180	Total Non-Current Assets	\$604,308	\$13,061,569	\$0	\$373,870	\$3,698,804	\$17,738,551
190	Total Assets	\$693,529	\$16,092,645	\$0	\$1,028,567	\$3,702,856	\$21,517,597
312	Accounts Payable <= 90 Days	\$0	\$119,394	\$0	\$1,027	\$0	\$120,421
321	Accrued Wage/Payroll Taxes Payable	\$0	\$97,873	\$0	\$14,462	\$0	\$112,335
322	Accrued Compensated Absences - Current Portion	\$0	\$40,626	\$0	\$5,020	\$0	\$45,646
325	Accrued Interest Payable	\$1,996	\$0	\$0	\$0	\$0	\$1,996
341	Tenant Security Deposits	\$8,000	\$179,507	\$0	\$0	\$0	\$187,507
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$374,483	\$154,824	\$0	\$0	\$0	\$529,307
345	Other Current Liabilities	\$0	\$0	\$0	\$24,794	\$0	\$24,794
347	Interprogram Due To	\$0	\$29,969	\$0	\$0	\$4,052	\$34,021
310	Total Current Liabilities	\$384,479	\$622,193	\$0	\$45,303	\$4,052	\$1,056,027
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$357,000	\$1,252,480	\$0	\$0	\$0	\$1,609,480
354	Accrued Compensated Absences - Non Current	\$0	\$162,504	\$0	\$20,088	\$0	\$182,592

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

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
350	Total Noncurrent Liabilities	\$357,000	\$1,414,984	\$0	\$20,088	\$0	\$1,792,072
300	Total Liabilities	\$741,479	\$2,037,177	\$0	\$65,391	\$4,052	\$2,848,099
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	(\$127,175)	\$11,654,265	\$0	\$16,870	\$3,698,804	\$15,242,764
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$79,225	\$2,401,203	\$0	\$946,306	\$0	\$3,426,734
513	Total Equity/Net Assets	(\$47,950)	\$14,055,468	\$0	\$963,176	\$3,698,804	\$18,669,498
600	Total Liabilities and Equity/Net Assets	\$693,529	\$16,092,645	\$0	\$1,028,567	\$3,702,856	\$21,517,597
703	Net Tenant Rental Revenue	\$0	\$1,529,029	\$0	\$0	\$0	\$1,529,029
704	Tenant Revenue - Other	\$0	\$21,057	\$0	\$0	\$0	\$21,057
705	Total Tenant Revenue	\$0	\$1,550,086	\$0	\$0	\$0	\$1,550,086
706	HUD PHA Operating Grants	\$0	\$2,799,382	\$17,500	\$5,771,824	\$358,042	\$8,946,748
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$1,748,894	\$1,748,894
711	Investment Income - Unrestricted	\$1,850	\$92,751	\$0	\$17,660	\$0	\$112,261
715	Other Revenue	\$96,035	\$193,829	\$0	\$22,145	\$0	\$312,009
700	Total Revenue	\$97,885	\$4,636,048	\$17,500	\$5,811,629	\$2,106,936	\$12,669,998

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

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	\$2,972	\$1,019,129	\$0	\$400,168	\$69,377	\$1,491,646
912	Auditing Fees	\$0	\$10,407	\$0	\$5,000	\$0	\$15,407
914	Compensated Absences	\$0	(\$134,642)	\$0	(\$5,771)	\$0	(\$140,413)
915	Employee Benefit Contributions - Administrative	\$0	\$444,698	\$0	\$166,732	\$37,357	\$648,787
916	Other Operating - Administrative	\$877	\$391,550	\$0	\$39,252	\$48,667	\$480,346
921	Tenant Services - Salaries	\$0	\$0	\$11,375	\$0	\$0	\$11,375
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$6,125	\$0	\$0	\$6,125
931	Water	\$0	\$108,066	\$0	\$0	\$0	\$108,066
932	Electricity	\$0	\$363,690	\$0	\$0	\$0	\$363,690
933	Gas	\$0	\$307,692	\$0	\$0	\$0	\$307,692
938	Other Utilities Expense	\$0	\$170,394	\$0	\$0	\$0	\$170,394
941	Ordinary Maintenance and Operations - Labor	\$0	\$580,969	\$0	\$0	\$0	\$580,969
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$171,830	\$0	\$0	\$24,789	\$196,619
943	Ordinary Maintenance and Operations - Contract Costs	\$18,211	\$562,988	\$0	\$25	\$0	\$581,224
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$280,595	\$0	\$0	\$0	\$280,595
952	Protective Services - Other Contract Costs	\$0	\$1,792	\$0	\$0	\$0	\$1,792
961	Insurance Premiums	\$3,255	\$232,561	\$0	\$0	\$0	\$235,816
962	Other General Expenses	\$508	\$575	\$0	\$1,201	\$0	\$2,284
964	Bad Debt - Tenant Rents	\$0	\$116,167	\$0	\$0	\$0	\$116,167
967	Interest Expense	\$24,361	\$63,346	\$0	\$0	\$0	\$87,707
968	Severance Expense	\$0	\$38,842	\$0	\$0	\$0	\$38,842
969	Total Operating Expenses	\$50,184	\$4,730,649	\$17,500	\$606,607	\$180,190	\$5,585,130

Butler Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2007

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	\$47,701	(\$94,601)	\$0	\$5,205,022	\$1,926,746	\$7,084,868
972	Casualty Losses - Non-Capitalized	\$0	(\$38,400)	\$0	\$0	\$0	(\$38,400)
973	Housing Assistance Payments	\$0	\$0	\$0	\$4,591,221	\$0	\$4,591,221
974	Depreciation Expense	\$37,470	\$1,880,900	\$0	\$7,038	\$59,052	\$1,984,460
900	Total Expenses	\$87,654	\$6,573,149	\$17,500	\$5,204,866	\$239,242	\$12,122,411
1001	Operating Transfers In	\$0	\$177,851	\$0	\$0	\$0	\$177,851
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	(\$177,851)	(\$177,851)
1010	Total Other Financing Sources (Uses)	\$0	\$177,851	\$0	\$0	(\$177,851)	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$10,231	(\$1,759,250)	\$0	\$606,763	\$1,689,843	\$547,587
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	(\$58,181)	\$11,635,127	\$0	\$452,635	\$6,159,701	\$18,189,282
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$4,179,591	\$0	(\$96,222)	(\$4,150,740)	(\$67,371)
1120	Unit Months Available	0	13,453	0	11,916	0	25,369
1121	Number of Unit Months Leased	0	11,645	0	11,450	0	23,095
1117	Administrative Fee Equity	\$0	\$0	\$0	\$26,638	\$0	\$26,638
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$936,538	\$0	\$936,538

Butler Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2007

Capital Fund Program Number OH10P01550103

1. The Program Costs are as follows:

Funds Approved	\$1,835,715
Funds Expended	<u>1,835,715</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$1,835,715
Funds Expended	<u>1,835,715</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 April 27, 2007.
4. The final costs on the certification agree to the Authority's records.

Butler Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2007

Capital Fund Program Number OH10P01550203

1. The Program Costs are as follows:

Funds Approved	\$387,719
Funds Expended	<u>387,719</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$387,719
Funds Expended	<u>387,719</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 April 27, 2007.
4. The final costs on the certification agree to the Authority's records.

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

Resident Opportunities and Self-Sufficiency Grant Number OH015RFS122A006

1. The Program Costs are as follows:

Funds Approved	\$65,000
Funds Expended	<u>0</u>
Excess (Deficiency) of Funds Approved	<u>\$ 65,000</u>
Funds Advanced	\$65,000
Funds Expended	<u>0</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 65,000</u>

2. No grant funds were expended from this grant and the grant period has expired.
3. The Final Financial Status Report was signed and filed on September 12, 2007.
4. No grant expenditure were incurred, the entire \$65,000 will be de-obligated by HUD.

BUTLER METROPOLITAN HOUSING AUTHORITY
Hamilton, Ohio

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Federal</u> <u>CFDA #</u>	<u>Expenditures</u>
<u>FEDERAL GRANTOR</u>		
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>		
Low Rent Public Housing	14.850	\$ 2,799,382
Resident Opportunity and Supportive Services	14.870	17,500
Housing Choice Vouchers	14.871	5,771,824
Public Housing Capital Fund Program	14.872	<u>2,106,936</u>
TOTAL FEDERAL FINANCIAL AWARDS		\$ <u><u>10,695,642</u></u>

BUTLER METROPOLITAN HOUSING AUTHORITY

Hamilton, Ohio

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards 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 had no subrecipients during the fiscal year ending June 30, 2007.

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 ended June 30, 2007.
- 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, 2007.



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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 business-type activities of the Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2007, which collectively comprise the Butler Metropolitan Housing Authority basic financial statements and have issued my report thereon dated December 07, 2007. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider significant deficiencies.

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

I consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-1.

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 authority' internal control.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Butler Metropolitan Housing Authority response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Butler Metropolitan Housing Authority response and, accordingly, I express no opinion on it.

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

Salvatore Consiglio, CPA, Inc.

December 07, 2007



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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, 2007. 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.

In my opinion, 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, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-2.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an Authority'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 Authority'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 Authority'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 Authority's internal control.

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

Butler Metropolitan Housing Authority response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Butler Metropolitan Housing Authority response and, accordingly, I express no opinion on it.

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

Salvatore Consiglio, CPA, Inc.

December 07, 2007

Butler Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.871 and 14.850 Housing Choice Voucher Program and Low Rent Public Housing Program
Dollar Threshold: Type A/B Programs	Type A: > \$320,869 Type B: All Others
Low Risk Auditee?	No

Butler Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

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

Finding Number 2007-001

Significant Deficiency – Financial Statements

Sound financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Year end payroll accrual was not calculated correctly. The liability amount was understated by \$38,668.
- The compensated leave liability amount was overstated by \$89,783.
- A deferred liability amount of \$38,400 was erroneously reflected on the accounting records.
- Income earned from portability admin fee did not reconcile with supporting documentation.
- Debt payable amount was not properly reported between current liability vs. non-current.
- Financial disclosure regarding defined benefit pension plans and postemployment benefits were missing.

Recommendation:

To ensure the housing authority financial statements and notes to the statements are complete and accurate, the PHA should adopt policies and procedures, including a final review of the statements and notes prepared by the Fee Accountant, to identify and correct errors and omissions.

Corrective Action Plan:

A final review of the financial statement will be implemented. The Director of Finance will be responsible to ascertain that financial statements are complete and accurate. These procedures will be implemented by June 30, 2008.

Butler Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2007

**FINDINGS RELATED TO FEDERAL AWARDS REQUIRED TO BE
REPORTED IN ACCORDANCE OMB CIRCULAR A-133**

Finding Number 2007-002

Compliance Finding - Supporting Documentation

U.S. Department of HUD

Low Rent Public Housing (CFDA # 14.850)

Housing Choice Voucher Program (CFDA # 14.871)

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.

24 CFR 982.516 requires that the PHA performs an annual reexamination for each participant family at least every 12 months and a determination of adjusted family income

Audit procedures over 60 HCV and 25 PH tenant files revealed several errors. On some files I was not able to determine if the annual re-certification was performed timely because the previous form HUD-50058 was not in the file. On several files I was not able to locate declaration of citizenship form or copy of birth certificate of drives licenses.

In addition, a review performed by HUD revealed a lack of verification to support the amount of medical spends down reported by families.

The above errors may have been caused by the turnover in key staff and transition to project base / asset management program as required by HUD.

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 Director of Housing 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, 2007

The following are the status of the June 30, 2006 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:
2006-BMHA-1	Financial Reporting not filed by due date	Yes	Corrected. PHA filed report on time.
2006-BMHA-2	Tenant files did not document proper documentation	No	Not Corrected. Review of tenant files revealed some errors. Finding repeated in current report.



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
APRIL 8, 2008**