

Butler Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended June 30, 2004





**Auditor of State  
Betty Montgomery**

Board of Directors  
Butler Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Butler Metropolitan Housing Authority, Butler County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Butler Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 21, 2005

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BUTLER METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statement of Net Assets	10
Statement of Revenue, Expenses and Change in Net Assets	11
Statement of Cash Flows	12-13
Notes to the Basic Financial Statements	14-24
Supplemental Data:	
Financial Data Schedules	25-30
PHA'S Statement and Certification of Actual Modernization Cost	31-33
Schedule of Expenditures of Federal Awards	34
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	35-36
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	37-38
Schedule of Findings and Questioned Costs	39-40
Schedule of Prior Audit Findings	41-42

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## Independent Auditors' Report

Board of Directors  
Butler Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying basic financial statements of Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic 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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Butler Metropolitan Housing Authority, Ohio, as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund 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 November 19, 2004, 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. 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 Governmental Accounting Standards Board. 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 basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Butler Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") and certification of actual modernization 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.

  
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Salvatore Consiglio, CPA, Inc.

November 19, 2004

**BUTLER METRO HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended JUNE 30, 2004**  
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 \$25.2 million and \$24.4 million for 2003 and 2004 respectively. The Authority-wide statements reflect a decrease in total assets of \$0.8 million (or 3.1%) during 2004. This decrease is reflective of the year's activities.
- Revenue increased by \$1.1 million (or 8.2%) during 2004, and was \$12.6 million and \$13.7 million for 2003 and 2004 respectively.
- Total expenses of all Authority programs increased by \$.5 million (or 3.1%). Total expenses were \$14.0 million and \$14.5 million for 2003 and 2004 respectively.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

<b>MD&amp;A</b> ~ Management Discussion and Analysis ~
<b>Basic Financial Statements</b> ~ Authority-wide Financial Statements ~ ~ Fund Financial Statement ~ ~ Notes to Financial Statements ~
<b><u>Other Required Supplementary Information</u></b> ~ Required Supplementary Information (other than MD&A) ~

The focus is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

**BUTLER METROPOLITAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**Year Ended June 30, 2004**  
Unaudited

**Authority-Wide Financial Statements**

The Authority-wide 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-wide 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, noncapital financing activities, and from capital and related financing activities.

**BUTLER METROPOLITAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**Year Ended June 30, 2004**  
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.

The Department of Housing and Urban Development requires the funds be maintained by the Authority.

**Funds:**

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, 2004**  
 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>2004</u>	<u>2003</u>	<u>Change</u>
Current Assets	\$ 6,031	\$ 8,270	\$ (2,239)
Capital Assets	17,949	16,417	1,532
Other Long-Term Assets	375	525	(150)
<b>Total Assets</b>	<b>\$ 24,355</b>	<b>\$ 25,212</b>	<b>\$ (857)</b>
Current Liabilities	\$ 1,333	\$ 1,213	\$ 120
Long-Term Liabilities	2,737	2,848	(111)
<b>Total Liabilities</b>	<b>4,070</b>	<b>4,061</b>	<b>9</b>
Invested in Capital, Net Debt	15,333	13,641	1,692
Unrestricted Net Assets	4,952	7,510	(2,558)
Total Equity	20,285	21,151	(866)
<b>Total Equity and Liabilities</b>	<b>\$ 24,355</b>	<b>\$ 25,212</b>	<b>\$ (857)</b>

For more detailed information see the Statement of Net Assets.

**Major Factors Affecting the Statement of Net Assets**

Current assets were decreased by \$2.2 million while current liabilities increased by \$.1 million. This is a reflection of the Authority's effort to reduce outstanding debt.

The Unrestricted Net Assets decreased 2.6 million. The decrease in the Unrestricted Net Assets balance can be attributed a portion of the Net Loss in Operations being funded by the Equity.

**BUTLER METROPOLITAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**Year Ended June 30, 2004**  
 Unaudited

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

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

**TABLE 2**  
**Statement of Revenue, Expenses and Change in Net Assets**  
**Omitted '000's**

	<u>2004</u>	<u>2003</u>	<u>Change</u>
<b>Revenue</b>			
Tenant Revenue	\$ 1,734	\$ 1,426	\$ 308
Operating Subsidies and Grants	11,437	10,685	752
Interest	105	178	(73)
Other Revenue	425	282	143
<b>Total Revenue</b>	<b>13,701</b>	<b>12,571</b>	<b>1,130</b>
<b>Expenses</b>			
Administrative	3,289	2,971	318
Tenant Services	48	12	36
Utilities	794	833	(39)
Maintenance	2,370	2,322	48
Protective Services	144	237	(93)
General	586	429	157
Housing Assistance Payments	4,860	4,657	203
Depreciation	2,373	2,566	(193)
Other Expenses	9	(7)	16
<b>Total Expenses</b>	<b>14,473</b>	<b>14,020</b>	<b>453</b>
<b>Net Increase(Loss)</b>	<b>\$ (772)</b>	<b>\$ (1,449)</b>	<b>\$ 677</b>

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

Tenant revenue, operating subsidies and grants all increased modestly. Most expenses increased modestly due to inflation, and Maintenance Costs. Both Administration and Maintenance expense are expected to increase due to Union Contracts. We managed to cut the Net Loss nearly in half over the year. We expect to continue that trend and hopefully show a net increase before FY 08.

**BUTLER METROPOLITAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**Year Ended June 30, 2004**  
Unaudited

**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

**KNIGHTSBRIDGE FACILITY**

In September 2003 BMHA completed its purchase of the Knightsbridge facility from International Paper. The building though appraised at \$1,000,000.00 was purchased for \$750,000.00. In August 2003, Richard Allen Academy opened their charter school in the Knightsbridge facility. Major renovations totaling \$350,000.00 were made to the building. These renovations included new classrooms and offices. The school has a total of 139 children in grades K-6. Additional grades are due to be added as enrollment increases. BMHA is pleased to have Richard Allen Academy occupy our Knightsbridge facility and provide quality education to local students including children living with BMHA.

**TROUBLED STATUS**

As of March 1, 2004, BMHA was released from troubled status by the Troubled Agency Recovery Center (“TARC”). We completed all of the requirements of the Memorandum of Agreement (“MOA”) and passed the final review by TARC. We believe the Authority is stronger for the experience and the changes that were made will lead to greater efficiencies in the coming years.

**THE FUTURE OF BMHA**

BMHA was not awarded the Hope VI Revitalization Grant in 2004 referred to in last years MD&A. However, as of the writing of this MD&A we have secured the services of a consultant, TAG Associates, to complete our application for the 2005 Hope VI funds. The application is due on February 1, 2005 and only an estimated 6 such grants will be awarded this year. We feel that our chances are excellent as TAG Associates have written several successful applications throughout the country.

**BUTLER METROPOLITAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**Year Ended June 30, 2004**  
Unaudited

Even if we are not awarded Hope VI Revitalization Grant we still intend to pursue demolishing Bambo Harris and rebuilding at that site. As of the writing of this MD&A we have received official permission to tear down Bambo Harris and this is the first step in the process. If no funds are available from HUD, we will pursue funding from private sources as well as considering tax credits, floating a bond issue or leveraging capital funds to raise cash.

To help us determine BMHA's future, we have commissioned a market study, a 202 feasibility study and a Section 504 Assessment and Transition Plan. Armed with the market study, we can determine our housing stock's viability given the current housing rental market as well as HUD's ever diminishing support of public housing. With the 202 feasibility study, BMHA can further determine outdated housing stock as well as housing stock that can be converted into project based Section 8 per HUD requirements. The Section 504 Assessment and Transition Plan takes a look at the requirements for handicapped housing units based on HUD requirements and determines how we can best meet the HUD requirement or perhaps exceed it and move into that market.

After reviewing all of the data generated by these studies we hope to bring on financial analysts or a planner to map out a plan for the future for each of the Authority's projects; an invest or divest strategy. With this strategy in hand, BMHA can face the future secure in its ability to weather any storm.

**IN CONCLUSION**

The Authority had a poor year financially but managed to improve on the previous year as reflected in the \$.8 million net -loss. We do not expect similar losses again this year and BMHA has sufficient reserves to manage the foreseeable future.

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 – Enterprise  
June 30, 2004

**ASSETS**

<b>Current assets</b>	
Cash and cash equivalents	\$ 613,458
Investments	4,275,247
Receivables, net	406,761
Inventories, net	74,662
Prepaid expenses and other assets	185,854
Interprogram due from	474,647
<b>Total current assets</b>	<b>6,030,629</b>
 <b>Non-Current Assets</b>	
<b>Capital Assets</b>	
Land	3,772,914
Building and equipment	61,727,374
Less accumulated depreciation	(47,550,914)
<b>Capital assets, net</b>	<b>17,949,374</b>
<b>Other Non-Current Assets</b>	<b>375,000</b>
<b>Total assets</b>	<b>\$ 24,355,003</b>

**LIABILITIES**

<b>Current liabilities</b>	
Accounts payable	\$ 283,471
Accrued liabilities	190,063
Intergovernmental payables	48,721
Tenant security deposits	155,833
Deferred revenue	5,572
Bonds, notes, and loans payable	136,660
Other current liabilities	38,263
Interprogram due to	474,647
<b>Total current liabilities</b>	<b>1,333,230</b>
 <b>Noncurrent liabilities</b>	
Bonds, notes, and loans payable	2,479,975
Accrued compensated absences non-current	257,402
<b>Total noncurrent liabilities</b>	<b>2,737,377</b>
<b>Total liabilities</b>	<b>\$ 4,070,607</b>

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 15,332,739
Unrestricted net assets	4,951,657
<b>Total net assets</b>	<b>\$ 20,284,396</b>

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 – Enterprise  
For the Year Ended June 30, 2004

<b><u>OPERATING REVENUES</u></b>	
Tenant Revenue	\$ 1,734,393
Government operating grants	9,146,268
Other revenue	424,922
<b>Total operating revenues</b>	<b><u>11,305,583</u></b>
<b><u>OPERATING EXPENSES</u></b>	
Administrative	3,289,167
Tenant services	48,008
Utilities	794,146
Maintenance	2,370,251
Protective services	143,539
General	458,010
Housing assistance payment	4,859,670
Other operating expenses	9,090
Depreciation	2,372,633
<b>Total operating expenses</b>	<b><u>14,344,514</u></b>
<b>Operating income (loss)</b>	<b><u>(3,038,931)</u></b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>	
Interest and investment revenue	104,835
Interest expense	(128,215)
Capital grants	2,290,627
<b>Total nonoperating revenues (expenses)</b>	<b><u>2,267,247</u></b>
<b>Income (loss) before contributions and transfers</b>	<b><u>(771,684)</u></b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>	
Operating Transfer In	291,817
Operating Transfer Out	(291,817)
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>
Change in net assets	(771,684)
Prior Period Adjustments	(95,242)
Total net assets – beginning	21,151,322
<b>Total net assets – ending</b>	<b><u>\$ 20,284,396</u></b>

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

Butler Metropolitan Housing Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2004

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from tenants	\$1,542,383
Operating grant received from HUD	9,050,825
Cash Paid for good, services and employees	(6,042,354)
Cash Paid for housing assistance	(4,859,670)
	(308,816)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest earned on investments	104,835
Cash transfer from investments	1,675,614
	1,780,449

**CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:**

Capital grant received	2,290,627
Property and equipment purchased	(3,786,072)
Payment of long-term borrowings	(159,297)
Interest paid on debt	(126,022)
	(1,780,764)

Net Increase (Decrease) in cash	(309,131)
Cash and cash equivalents- Beginning of Year	922,589
Cash and Cash equivalents-End of Year	\$613,458

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

Butler Metropolitan Housing Authority  
Statement of Cash Flows  
For the Year Ended June 30, 2004

**RECONCILIATION OF NET INCOME CASH PROVIDED BY  
OPERATING ACTIVITIES:**

Net income	(\$3,038,931)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	2,372,633
Decrease in accounts receivable	177,140
Increase in Prepaid expenses	(16,193)
Decrease in inventory	13,712
Increase in accounts payable	196,994
Decrease in deferred revenue	0
Increase in accrued expenses	12,234
Decrease in other liabilities	(8,664)
Decrease in tenant security deposits	<u>(17,741)</u>
<b>Net cash provided by operating activities</b>	<b><u>(\$308,816)</u></b>

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

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

**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 general purpose 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 GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(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 basic 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 GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(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 on or before 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. **Public Housing Drug Elimination Program**

The Authority administers the Public Housing Drug Elimination Program to provide its communities with services such as community policing, drug education intervention, and drug prevention programs for youths. Funding for the services is provided by grants from HUD and the services from local youth organizations.

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **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, 2004 totaled \$104,835.

**Fixed Assets**

Fixed assets are stated at cost and depreciation is computed using the straight-line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not 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.

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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.

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.

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS**

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA’s name.

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK	CATEGORY			CARRYING AMOUNT
	BALANCE	1	2	3	
Cash and Cash Equivalents	\$708,463	\$227,230	\$481,233	\$-0-	\$613,458
Investments	4,061,742	963,110	3,098,632	-0-	4,275,247
Total Deposits	<u>\$4,770,205</u>	<u>\$1,190,340</u>	<u>\$3,579,865</u>	<u>\$-0-</u>	<u>\$4,888,705</u>

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA’s name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the PHA’s name.

BUTLER METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2004  
 (CONTINUED)

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

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the PHA’s name.

The PHA’s nonnegotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes.

**NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

**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, 2004 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: FIXED ASSETS**

The following is a summary:

Land	\$3,772,914
Buildings	60,158,594
Furniture, Machinery and Equipment	1,396,162
Leasehold Improvement	172,618
Construction in Progress	0
Total Fixed Assets	65,500,288
Accumulated Depreciation	(47,550,914)
Net Fixed Assets	\$17,949,374

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 5: FIXED ASSETS** (Continued)

The following is a summary of changes:

	<b>Balance 06/30/03</b>	<b>Adjustment</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 06/30/04</b>
Land	\$3,266,142	\$-0-	\$506,772	\$-0-	\$3,772,914
Buildings	52,714,984	4,226,834	3,216,776	-0-	60,158,594
Furnt, Mach. and Equip.	1,333,638	-0-	62,524	-0-	1,396,162
Leasehold Improvement	172,618	-0-	-0-	-0-	172,618
Construction in Progress	4,226,834	(4,226,834)	-0-	-0-	0
Total Fixed Assets	<u>\$61,714,216</u>	<u>\$-0-</u>	<u>\$3,786,072</u>	<u>\$-0-</u>	<u>\$65,500,288</u>

The depreciation expense for the year ended June 30, 2004 was \$2,372,633.

**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.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for AUTHORITY was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority required contributions to PERS for the years ended June 30, 2004, 2003, and 2002 \$286,484, \$265,692 and \$257,267 respectively. Ninety-Two percent has been contributed for 2004. All required contributions for the two previous years have been paid.

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(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 2004 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$105,714. 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, 2001. 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 2001 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 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 8: LONG-TERM DEBT**

**Energy Performance Contract**

On May 1, 2003 the Authority issued a note for \$1,983,066 to provide funding to acquire and install certain energy 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 an interest rate of 4.230%, payable in quarterly installments.

**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 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. This loan is not amortized.

The following is a summary of the change in the Long-Term Debt for the year ended June 30, 2004:

<u>Description</u>	<u>Balance</u> <u>07/01/03</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>06/30/04</u>	<u>Due Within</u> <u>One Year</u>
Multifamily Mortgage Revenue Bond	\$2,775,931	\$0	\$159,296	\$2,616,635	\$136,660

Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2005	\$136,660
2006	154,456
2007	161,467
2008	156,589
2009	160,924
Later Years	<u>1,846,539</u>
Total	<u>\$2,616,635</u>

BUTLER METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 9: Prior Period Adjustment**

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

**Business Activity:**

- |  |           |
|--|-----------|
| - Adjustment to fixed assets to properly state the value of Land | (\$8,892) |
| - Adjustment to correct beginning liabilities                    | 2,478     |

**Low Rent Public Housing:**

- |   |         |
|---|---------|
| - Adjustment to write-off a prepaid assets that's been carried forward for many years | 150,542 |
| - Adjustment to properly state tenant account receivable                              | 69,894  |

**Comprehensive Grant:**

- |  |           |
|--|-----------|
| - Adjustment to accumulated depreciation | (118,780) |
|--|-----------|

Total Prior Period Adjustment	<u>\$95,242</u>
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Butler Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash – Unrestricted	\$26,022	\$421,325	\$0	\$0	\$100	\$0	\$447,447
114	Cash - Tenant Security Deposits	\$0	\$166,011	\$0	\$0	\$0	\$0	\$166,011
100	Total Cash	\$26,022	\$587,336	\$0	\$0	\$100	\$0	\$613,458
121	Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$158,177	\$0	\$158,177
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$95,443	\$0	\$95,443
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$296,899	\$0	\$0	\$0	\$0	\$296,899
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$143,758)	\$0	\$0	\$0	\$0	(\$143,758)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$153,141	\$0	\$0	\$253,620	\$0	\$406,761
131	Investments - Unrestricted	\$0	\$4,236,984	\$0	\$0	\$38,263	\$0	\$4,275,247
142	Prepaid Expenses and Other Assets	\$0	\$185,854	\$0	\$0	\$0	\$0	\$185,854
143	Inventories	\$0	\$78,592	\$0	\$0	\$0	\$0	\$78,592
143.1	Allowance for Obsolete Inventories	\$0	(\$3,930)	\$0	\$0	\$0	\$0	(\$3,930)
144	Interprogram Due From	\$0	\$0	\$0	\$0	\$474,647	\$0	\$474,647
150	Total Current Assets	\$26,022	\$5,237,977	\$0	\$0	\$766,630	\$0	\$6,030,629
161	Land	\$118,892	\$3,147,250	\$0	\$0	\$0	\$506,772	\$3,772,914
162	Buildings	\$600,000	\$46,795,587	\$0	\$10,010,919	\$0	\$2,752,088	\$60,158,594
164	Furniture, Equipment & Machinery - Administration	\$34,195	\$546,590	\$290,228	\$445,780	\$49,560	\$29,809	\$1,396,162

Butler Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
165	Leasehold Improvements	\$0	\$0	\$0	\$172,618	\$0	\$0	\$172,618
166	Accumulated Depreciation	(\$63,623)	(\$43,431,063)	(\$111,519)	(\$3,830,180)	(\$29,488)	(\$85,041)	(\$47,550,914)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$689,464	\$7,058,364	\$178,709	\$6,799,137	\$20,072	\$3,203,628	\$17,949,374
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$375,000	\$0	\$375,000
180	Total Non-Current Assets	\$689,464	\$7,058,364	\$178,709	\$6,799,137	\$395,072	\$3,203,628	\$18,324,374
190	Total Assets	\$715,486	\$12,296,341	\$178,709	\$6,799,137	\$1,161,702	\$3,203,628	\$24,355,003
311	Bank Overdraft	\$0	\$0	\$0	\$0	\$194,925	\$0	\$194,925
312	Accounts Payable <= 90 Days	\$0	\$86,980	\$0	\$0	\$1,566	\$0	\$88,546
321	Accrued Wage/Payroll Taxes Payable	\$0	\$92,313	\$0	\$0	\$8,756	\$0	\$101,069
322	Accrued Compensated Absences - Current Portion	\$0	\$76,800	\$0	\$0	\$10,000	\$0	\$86,800
325	Accrued Interest Payable	\$2,194	\$0	\$0	\$0	\$0	\$0	\$2,194
331	Accounts Payable – HUD PHA Programs	\$0	\$0	\$0	\$0	\$48,721	\$0	\$48,721
341	Tenant Security Deposits	\$8,000	\$147,833	\$0	\$0	\$0	\$0	\$155,833
342	Deferred Revenues	\$0	\$5,572	\$0	\$0	\$0	\$0	\$5,572
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$12,000	\$124,660	\$0	\$0	\$0	\$0	\$136,660
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$38,263	\$0	\$38,263
347	Interprogram Due To	\$6,043	\$468,604	\$0	\$0	\$0	\$0	\$474,647
310	Total Current Liabilities	\$28,237	\$1,002,762	\$0	\$0	\$302,231	\$0	\$1,333,230



Butler Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and change in Retained Earnings  
FDS Schedule submitted to REAC  
Propriety Fund Type-Enterprise Fund  
Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$0	\$1,710,248	\$0	\$0	\$0	\$0	\$1,710,248
704	Tenant Revenue – Other	\$0	\$24,145	\$0	\$0	\$0	\$0	\$24,145
705	Total Tenant Revenue	\$0	\$1,734,393	\$0	\$0	\$0	\$0	\$1,734,393
706	HUD PHA Operating Grants	\$0	\$2,589,910	\$180,567	\$66,464	\$5,421,026	\$888,301	\$9,146,268
706.1	Capital Grants	\$0	\$0	\$46,877	\$0	\$0	\$2,243,750	\$2,290,627
711	Investment Income - Unrestricted	\$11	\$90,363	\$0	\$0	\$10,736	\$0	\$101,110
715	Other Revenue	\$96,890	\$191,940	\$0	\$0	\$136,092	\$0	\$424,922
720	Investment Income - Restricted	\$0	\$3,725	\$0	\$0	\$0	\$0	\$3,725
700	Total Revenue	\$96,901	\$4,610,331	\$227,444	\$66,464	\$5,567,854	\$3,132,051	\$13,701,045
911	Administrative Salaries	\$0	\$1,010,116	\$0	\$0	\$352,174	\$0	\$1,362,290
912	Auditing Fees	\$0	\$6,354	\$0	\$0	\$9,600	\$0	\$15,954
914	Compensated Absences	\$0	\$18,474	\$0	\$0	\$10,480	\$0	\$28,954
915	Employee Benefit Contributions - Administrative	\$0	\$444,029	\$0	\$0	\$148,745	\$0	\$592,774
916	Other Operating - Administrative	\$608	\$521,670	\$0	\$0	\$104,619	\$662,298	\$1,289,195
924	Tenant Services – Other	\$0	\$6,811	\$41,197	\$0	\$0	\$0	\$48,008
931	Water	\$0	\$127,875	\$0	\$0	\$0	\$0	\$127,875
932	Electricity	\$0	\$315,036	\$0	\$0	\$0	\$0	\$315,036
933	Gas	\$0	\$222,780	\$0	\$0	\$0	\$0	\$222,780
938	Other Utilities Expense	\$0	\$128,455	\$0	\$0	\$0	\$0	\$128,455
941	Ordinary Maintenance and Operations - Labor	\$0	\$563,447	\$0	\$0	\$0	\$0	\$563,447

Butler Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and change in Retained Earnings  
FDS Schedule submitted to REAC  
Propriety Fund Type-Enterprise Fund  
Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$176,597	\$0	\$0	\$0	\$651	\$177,248
943	Ordinary Maintenance and Operations - Contract Costs	\$30,221	\$1,355,705	\$0	\$0	\$308	\$0	\$1,386,234
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$243,322	\$0	\$0	\$0	\$0	\$243,322
952	Protective Services - Other Contract Costs	\$0	\$0	\$139,371	\$0	\$0	\$0	\$139,371
953	Protective Services - Other	\$0	\$4,168	\$0	\$0	\$0	\$0	\$4,168
961	Insurance Premiums	\$0	\$231,612	\$0	\$0	\$0	\$0	\$231,612
962	Other General Expenses	\$0	\$30,738	\$0	\$0	\$232	\$0	\$30,970
963	Payments in Lieu of Taxes	\$1	\$0	\$0	\$0	\$0	\$0	\$1
964	Bad Debt - Tenant Rents	\$0	\$159,383	\$0	\$0	\$0	\$0	\$159,383
967	Interest Expense	\$28,921	\$99,294	\$0	\$0	\$0	\$0	\$128,215
968	Severance Expense	\$0	\$36,044	\$0	\$0	\$0	\$0	\$36,044
969	Total Operating Expenses	\$59,751	\$5,701,910	\$180,568	\$0	\$626,158	\$662,949	\$7,231,336
970	Excess Operating Revenue over Operating Expenses	\$37,150	(\$1,091,579)	\$46,876	\$66,464	\$4,941,696	\$2,469,102	\$6,469,709
972	Casualty Losses - Non-Capitalized	\$0	\$9,090	\$0	\$0	\$0	\$0	\$9,090
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$4,859,670	\$0	\$4,859,670
974	Depreciation Expense	\$34,885	\$1,221,041	\$28,158	\$994,134	\$13,294	\$81,121	\$2,372,633
900	Total Expenses	\$94,636	\$6,932,041	\$208,726	\$994,134	\$5,499,122	\$744,070	\$14,472,729

Butler Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and change in Retained Earnings  
FDS Schedule submitted to REAC  
Propriety Fund Type-Enterprise Fund  
Year Ended June 30, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1001	Operating Transfers In	\$0	\$291,817	\$0	\$0	\$0	\$0	\$291,817
1002	Operating Transfers Out	\$0	\$0	\$0	(\$66,464)	\$0	(\$225,353)	(\$291,817)
1010	Total Other Financing Sources (Uses)	\$0	\$291,817	\$0	(\$66,464)	\$0	(\$225,353)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$2,265	(\$2,029,893)	\$18,718	(\$994,134)	\$68,732	\$2,162,628	(\$771,684)
1103	Beginning Equity	(\$90,998)	\$11,603,049	\$159,991	\$7,674,491	\$763,789	\$1,041,000	\$21,151,322
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$6,414	(\$220,436)	\$0	\$118,780	\$0	\$0	(\$95,242)
	Ending Equity	(\$82,319)	\$9,352,720	\$178,709	\$6,799,137	\$832,521	\$3,203,628	\$20,284,396
1102	Debt Principal Payments - Enterprise Funds	\$11,297	\$148,000	\$0	\$0	\$0	\$0	\$159,297
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$5,896,397	\$0	\$5,896,397
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$11,643	\$0	\$11,643
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$5,908,040	\$0	\$5,908,040
1120	Unit Months Available	0	15,500	0	0	11,520	0	27,020
1121	Number of Unit Months Leased	0	12,485	0	0	11,133	0	23,618

Butler Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
June 30, 2004

Comprehensive Grant Program Number OH10P01570899

1. The Actual Modernization Costs are as follows:

Funds Approved	\$2,218,836
Funds Expended	<u>2,218,836</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on January 20, 2004.
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, 2004

Capital Fund Grant Program Number OH10P015501-00

1. The Actual Modernization Costs are as follows:

Funds Approved	\$2,380,443
Funds Expended	<u>2,380,443</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

5. All costs have been paid and there are no outstanding obligations.
6. The actual modernization cost certification was signed and filed on February 10, 2004.
7. 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, 2004

Capital Fund Grant Program Number OH10P015501-01

1. The Actual Modernization Costs are as follows:

Funds Approved	\$2,428,534
Funds Expended	<u>2,428,534</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

8. All costs have been paid and there are no outstanding obligations.
9. The actual modernization cost certification was signed and filed on August 12, 2004.
10. 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, 2004

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$2,589,910
Drug Elimination Program	14.854	227,444
Public Housing Comprehensive Grant Program	14.859	66,464
Housing Choice Voucher	14.871	5,421,026
Public Housing Capital Fund Program	14.872	<u>3,132,051</u>
Total Expenditure of Federal Award		<u><u>\$11,436,895</u></u>



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

Board of Directors  
Butler Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the general purpose financial statements of the Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, and have issued my report thereon dated November 19, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether Butler Metropolitan Housing Authority, Ohio's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**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 basic 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 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 misstatements in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Butler Metropolitan Housing Authority, Ohio, in a separate letter dated November 19, 2004.

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.

  
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Salvatore Consiglio, CPA, Inc.

November 19, 2004



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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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**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, 2004. 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 described in item FED-2003-1 in the accompanying schedule of findings and questioned costs, Butler Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Davis Bacon Act that is applicable to its Capital Fund Program. Compliance with such requirements is necessary, in my opinion, for Butler Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

## **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.

November 19, 2004

Butler Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2004

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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	Unqualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA #14.850, 14.871, 14.872- Low Rent Public Housing, Housing Choice Voucher & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$343,107 Type B: All Others
Low Risk Audit?	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended June 30, 2004.

Butler Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2004

<b>3. FINDINGS REALTED TO FEDERAL AWARDS</b>
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FINDING NUMBER
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FED-2003-1
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**Davis-Bacon Act**

**U.S. Department of HUD**

**Public Housing Capital Project Fund (CFDA # 14.872)**

The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal awards must be paid wages not less than those established for the locality of the project by the Department of Labor.

Audit procedures over procurement revealed that documentation from contractors is obtained, however no one is reviewing the information to ascertain compliance. Also, onsite review is not performed.

This finding was noted in prior year audit.

**Recommendation:**

The PHA must comply with the above requirement.

**PHA Response:**

The PHA has recently hired a Procurement Office. This individual will be responsible to ascertain compliance with this requirement. Management believes that this finding will be fully resolved in next audit period.

Butler Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2004

The following are the status of the June 30, 2004 audit findings. Those findings not fully corrected are repeated in the 2003 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
GAS-2003-1	Accounting System	Yes	<b>Finding No Longer Valid.</b> The PHA has identified the software that it will purchase. Currently, staff is working on a strategy plan for the conversion to the new system.
GAS-2003-2	Written Fiscal Procedural Manual	Yes	<b>Finding No Longer Valid.</b> Procedural manual was prepared.
GAS-2003-3	Contracting	Yes	<b>Finding No Longer Valid.</b> No errors noted during audit procedures.
GAS-2003-4	Year End Accrual Adjustment	Yes	<b>Corrected.</b> No material exceptions noted in current audit.
GAS-2003-5	Outstanding Checks	No	<b>Partially Corrected.</b> Several stale dated checks remain as out standing. Staff is investigating these checks and should be corrected in following audit period. Management recommendation was issued to write-off the state dated checks.
FED-2003-1	Davis-Bacon Act	No	<b>Not corrected.</b> Contractor employees or onsite review was not performed. Finding repeated.
FED-2003-2	Release of Information Form	Yes	<b>Corrected.</b> Correct form was used.
FED-2003-3	Third Party Verification	Yes	<b>Corrected.</b> No errors noted during audit procedures.

Butler Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
FED-2003-4	Utility Allowance	Yes	<b>Corrected.</b> Utility allowances were updated. However, audit procedures revealed 3 errors from 30 files tested. The errors appear to be errors that were missed. A management recommendation was issued for the errors noted.
FED-2003-5	Rent Reasonableness	Yes	<b>Corrected.</b> A system was in place for determining rent reasonableness. However, audit procedures revealed 4 errors from 30 files tested. The errors appear to be errors that were missed. A management recommendation was issued for the errors noted.
FED-2003-6	Payment Standard	Yes	<b>Corrected.</b> No errors noted during audit procedures.
FED-2003-7	Lease Agreement	Yes	<b>Corrected.</b> No errors noted during audit procedures.
FED-2003-8	Birth Certificate / Drivers License	Yes	<b>Corrected.</b> No errors noted during audit procedures.



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**BUTLER METROPOLITAN HOUSING AUTHORITY**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**

**MARCH 31, 2005**