

Pickaway Metropolitan Housing Authority

Pickaway County

Single Audit

January 1, 2002 through December 31, 2002

Fiscal Year Audited Under GAGAS: 2002

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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**Auditor of State  
Betty Montgomery**

Board of Commissioners  
Pickaway Metropolitan Housing Authority  
176 Rustic Drive  
Circleville, Ohio 43113

We have reviewed the Independent Auditor's Report of the Pickaway Metropolitan Housing Authority, Pickaway County, prepared by Balestra, Harr & Scherer, CPA's, Inc. for the audit period January 1, 2002 to December 31, 2002. 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 Pickaway 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

September 29, 2003

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**PICKAWAY METROPOLITAN HOUSING AUTHORITY**  
CIRCLEVILLE, OHIO  
FOR THE YEAR ENDED DECEMBER 31, 2002

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Board of Commissioners  
Pickaway Metropolitan Housing Authority  
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**INDEPENDENT AUDITORS= REPORT**

We have audited the accompanying general purpose financial statements of Pickaway Metropolitan Housing Authority, Pickaway County, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Pickaway Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pickaway Metropolitan Housing Authority, as of December 31, 2002, and the results of its operations 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*, we have also issued our report dated July 31, 2003 on our consideration of the Pickaway Metropolitan Housing Authority's internal control over financial reporting and our 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 results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Pickaway Metropolitan Housing Authority, taken as a whole. The supplemental financial data is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Pickaway Metropolitan Housing Authority  
Independent Auditor's Report  
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The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs, Inc.  
Balestra, Harr & Scherer, CPAs, Inc.

July 31, 2003



PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
BALANCE SHEET - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Enterprise Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$392,961
Tenant Accounts Receivable	488
Accounts Receivable - HUD	20,288
Accrued Interest Receivable	3,697
Notes, Loans & Mortgages Receivable	69,600
Accounts Receivable - Fraud	2,552
Accounts Receivable - Other	174,017
Investments - Unrestricted	396,600
Prepaid Expenses	31,967
Inventory	6,500
Interprogram - Due From	<u>34,605</u>
Total Current Assets:	1,133,275
Noncurrent Assets:	
Cash - Restricted	319,252
Property, Plant and Equipment, net of Accumulated Depreciation	<u>5,917,133</u>
Total Noncurrent Assets:	<u>6,236,385</u>
Total Assets	<u><u>7,369,660</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	34,411
Accounts Payable - Other Governments	13,436
Tenant Security Deposits	15,003
Accrued Wages and Payroll Taxes	11,969
Accrued Compensated Absences - current portion	29,599
Long Term Debt - current portion	1,350
Interprogram - Due To	34,605
Deferred Revenues	<u>49</u>
Total Current Liabilities:	140,422
Noncurrent Liabilities:	
Long Term Debt	534,222
Noncurrent Liabilities - Other	26,407
Compensated Absences - noncurrent portion	<u>34,153</u>
Total Long Term Liabilities:	<u>594,782</u>
Total Liabilities	735,204
Equity	
Net HUD PHA Contributions	5,048,069
Retained Earnings	<u>1,586,387</u>
Total Equity	<u>6,634,456</u>
Total Liabilities and Equity	<u><u>\$7,369,660</u></u>

See accompanying notes to the general purpose financial statements

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise Fund
Revenues:	
HUD Grants	\$3,118,032
Capital Grants	207,222
Other Government Grants	12,484
Rental Income	231,979
Investment Income - Unrestricted	24,020
Fraud Recovery	5,518
Other Revenue	2,070
Total Revenue	3,601,325
Operating Expenses:	
Housing Assistance Payments	2,452,919
Administrative Salaries	307,843
Outside Management Fees	6,043
Compensated Absences	4,604
Tenant Services - Other	1,946
Employee Benefits	133,788
Other Administrative Expenses	86,068
Material and Labor	66,237
Contract Services	94,746
Utilities	78,969
General Expenses	18,889
Payment in Lieu of Taxes	13,436
Interest Expense	12,752
Bad Debt Expense	12,810
Total Operating Expenses	3,291,050
Excess/(Deficiency) of Operating Revenues Over/(Under) Operating Expenses	310,275
Other Expenses:	
Fraud Losses	3,798
Depreciation	365,640
Total Other Expenses	369,438
Excess/(Deficiency) of Operating Revenues Over/(Under) Expenses	(59,163)
Other Financing Sources/(Uses):	
Operating Transfers In	266
Operating Transfers Out	(266)
Total Other Financing Sources/(Uses)	-
Excess/(Deficiency) of Operating Revenue and Other Financing Sources Over/(Under) Expenses and Other Financing Uses	(59,163)
Retained Earnings, Beginning of the Year (as restated - see note 9)	1,645,550
Retained Earnings, End of Year	1,586,387
Contributed Capital at Beginning of Year (as restated - see note 9)	5,048,069
Contributions During Year	-
Contributed Capital at End of Year	5,048,069
Total Fund Equity at End of Year	\$6,634,456

See accompanying notes to the general purpose financial statements

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Net Operating Income	(\$59,163)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:	
Depreciation	365,640
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:	
(Increase) Decrease In:	
Accounts Receivable - Tenants, net	5,919
Accounts Receivable - Fraud, net	5,456
Accounts Receivable - HUD, net	107,046
Accounts Receivable - Interest, net	(1,080)
Accounts Receivable - Notes, Loans & Mortgages, net	(69,600)
Accounts Receivable - Other, net	(164,840)
Prepaid Expenses	(27,302)
Inventory	(4,352)
Interprogram - Due From	(6,991)
Increase (Decrease) In:	
Accounts Payable	23,000
Accounts Payable - Other Governments	(811)
Accounts Payable - HUD	(34,123)
Security Deposits	774
Accrued Wages and Taxes	2,424
Accrued Compensated Absences	845
Deferred Revenues	(310)
Interprogram - Due To	6,991
Total Adjustments	<u>(156,954)</u>
Net Cash Provided By Operating Activities	149,523
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments	<u>463,250</u>
Net Cash Provided By Investing Activities	463,250
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt Reduction	(1,324)
Change in fixed assets	<u>(217,464)</u>
Net Cash Used By Capital Financing Activities	(218,788)
Net Increase In Cash	393,985
Cash At The Beginning Of Year	<u>318,228</u>
Cash At End Of Year	<u><u>\$712,213</u></u>

See accompanying notes to the general purpose financial statements

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2002

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pickaway Metropolitan Housing Authority (PMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Pickaway Metropolitan Housing Authority and the U.S. Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primarily government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability are the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for as proprietary fund type in a single enterprise fund.

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 Financial Accounting Standards Board 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.

Use of Estimates

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

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Tenant Receivables-Recognition of Bad Debts

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2002

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

Property and Equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

Useful Lives:	Buildings	40 years
	Building & Leasehold Improvements	15 years
	Furniture & Equipment	7 years
	Autos	5 years
	Computers	3 years

Depreciation is recorded on the straight-line method.

Capitalization of Interest

The Authority's policy is not to capitalize interest in the construction or purchase of fixed assets.

Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

Restricted Cash

Restricted cash represent amounts received for the home ownership program.

Contributed Capital

Prior to the implementation of GASB 33 in the year 2001, the Authority recorded contributed capital for resources from the other governments and private sources which were provided to the enterprise fund to the extent they exceeded the cost and were not subject to repayment. All other fund equity amounts have been classified as retained earnings. The Authority's contributed capital mainly consists of fixed assets purchased with funding from the federal government and other federal government contributions.

NOTE 2-CASH AND INVESTMENTS

Cash

State statutes classify monies held by Authority into three categories.

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

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

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2002

NOTE 2-CASH AND INVESTMENTS, Continued

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

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

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

The following show the Authority's deposits (bank balances) in each category:

- Category 1.       \$ 594,000 was covered by federal depository insurance
- Category 2.       \$ 537,088 was covered by specific collateral pledged by the  
                          financial institutions in the name of the Authority.

Book Balances at December 31, 2002 were as follows:

	Cash	Investments	Total
Public Housing	72,950	200,177	273,127
Section 8	345,386	126,178	471,564
Rural Rental Housing	6,855	70,245	77,100
Business Activities	287,022	0	287,022
Total	712,213	396,600	1,108,813

Investments

HUD State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of conformation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2002

NOTE 2-CASH AND INVESTMENTS, Continued

investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name.

The Authority's nonnegotiable certificates of deposit are classified on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 3- PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2002, by class is as follows:

Land	471,802
Buildings & Improvements	8,386,425
Furniture & Equipment – Dwelling	108,392
Furniture & Equipment – Administrative	177,141
Leasehold Improvements	29,408
Construction In Progress	29,823
Total	9,202,991
Less: Accumulated Depreciation	(3,285,858)
Net Property & Equipment	5,917,133

NOTE 4-ADMINISTRATIVE FEE

The Authority receives an “administrative fee” as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rates are as follows:

A. Certificates and Vouchers:

Units per month x \$ 42.38/unit

NOTE 5-DEFINED PENSION PLANS AND POSTRETIREMENT BENEFITS

**Ohio Public Employees Retirement System** - All the Authority's full time employees participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan created by the State of Ohio. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 42315-4642 or by calling (614) 466-6705 or 1-800-222-PERS(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2002

NOTE 5-DEFINED PENSION PLANS AND POSTRETIREMENT BENEFITS  
(Continued)

The Authority's contributions to OPERS for the years ending December 31, 2000, 2001, and 2002 were \$54,490, \$72,114, and \$95,479 respectively which are equal to the required contributions for each year.

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement service is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units the rate was 13.55% of covered payroll and 5.00% was the portion used to fund health care for the year.

The health inflation and significant actuarial assumptions and calculations relating to postemployment 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% of unrealized market appreciation or depreciation on investment assets.

The investment assumption rate for 2001 was 8.00%

An annual increase of 4.00% 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 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase 4.00% annually.

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

NOTE 6-COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws. All permanent employees will earn 4.6 hours sick leave per (80) hours of service. Unused sick leave may be accumulated without limit. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

At December 31, 2002, based on the vesting method, \$63,752 was accrued by the Authority for unused vacation and sick time.



PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2002

NOTE 7-INSURANCE

The Housing Authority maintains comprehensive insurance coverage with private carriers for health real property, building contents and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

NOTE 8-CONTINGENCIES

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2002 the Authority was involved in no matters which management believes would have a material effect on the financial statements.

NOTE 9-RECLASSIFICATIONS AND EQUITY ADJUSTMENTS

Prior period adjustments were prepared by the Authority's compilation accountants to reclassify equity balances between programs for the purpose of closing projects and/or programs. The adjustments have the following net effect on prior year audited balances:

	FY01 Audited Balances	Net Adjustment	FY02 Adjusted Beginning Balances
Contributed Capital	6,055,074	(1,007,005)	5,048,069
Retained Earnings	569,519	1,076,031	1,645,550
Total Equity	6,624,593	69,026	6,693,619

NOTE 10-LONG TERM DEBT

The Authority manages a multiple family housing project funded by the Department of Agriculture under their rural housing service. The debt associated with this project is as follows:

Amount of Loan	\$545,795
Date of Loan	May 10, 1985
Interest Rate	11.875%
Unpaid Principal	\$535,572

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002

FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:	FEDERAL CFDA NUMBER	2002 FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$253,896
Public Housing Capital Fund Program	14.872	241,060
Section 8 Housing Choice Vouchers	14.871	<u>2,830,298</u>
Subtotal		3,325,254
U.S. Department of Agriculture:		
Rural Rental Housing Loans	10.415	<u>12,484</u>
Total Federal Assistance		<u><u>\$3,337,738</u></u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
YEAR ENDED DECEMBER 31, 2002

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the accrual basis of accounting.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
BALANCE SHEET - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Low Rent Public Housing	Capital Fund Program	Rural Rent Program	Section 8 Housing Choice Vouchers Program	Business Activities	Total
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$72,950	\$0	\$6,855	\$313,156	\$0	\$392,961
Tenant Accounts Receivable	488	0	0	0	0	488
Accounts Receivable - HUD	0	0	0	20,288	0	20,288
Accrued Interest Receivable	3,492	0	0	205	0	3,697
Notes, Loans & Mortgages Receivable	0	0	0	0	69,600	69,600
Accounts Receivable - Fraud	0	0	0	2,552	0	2,552
Accounts Receivable - Other	817	0	30	10,653	162,517	174,017
Investments - Unrestricted	200,177	0	70,245	126,178	0	396,600
Prepaid Expenses	3,439	0	396	2,132	26,000	31,967
Inventory	4,625	0	0	1,875	0	6,500
Interprogram - Due From	0	0	0	34,605	0	34,605
<b>Total Current Assets:</b>	<b>285,988</b>	<b>0</b>	<b>77,526</b>	<b>511,644</b>	<b>258,117</b>	<b>1,133,275</b>
<b>Noncurrent Assets:</b>						
Cash - Restricted	0	0	0	32,230	287,022	319,252
Property, Plant and Equipment, net of Accumulated Depreciation	5,216,814	299,433	324,882	10,769	65,235	5,917,133
<b>Total Noncurrent Assets:</b>	<b>5,216,814</b>	<b>299,433</b>	<b>324,882</b>	<b>42,999</b>	<b>352,257</b>	<b>6,236,385</b>
<b>Total Assets</b>	<b>5,502,802</b>	<b>299,433</b>	<b>402,408</b>	<b>554,643</b>	<b>610,374</b>	<b>7,369,660</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable	30,806	0	2,687	918	0	34,411
Accounts Payable - Other Governments	13,436	0	0	0	0	13,436
Tenant Security Deposits	12,356	0	2,647	0	0	15,003
Accrued Wages and Payroll Taxes	0	0	0	11,969	0	11,969
Accrued Compensated Absences - current portion	16,294	0	0	13,305	0	29,599
Long Term Debt - current portion	0	0	1,350	0	0	1,350
Interprogram - Due To	24,963	0	9,642	0	0	34,605
Deferred Revenues	32	0	17	0	0	49
<b>Total Current Liabilities:</b>	<b>97,887</b>	<b>0</b>	<b>16,343</b>	<b>26,192</b>	<b>0</b>	<b>140,422</b>
<b>Noncurrent Liabilities:</b>						
Long Term Debt	0	0	534,222	0	0	534,222
Noncurrent Liabilities - Other	0	0	0	26,407	0	26,407
Compensated Absences - noncurrent portion	19,058	0	0	15,095	0	34,153
<b>Total Long Term Liabilities:</b>	<b>19,058</b>	<b>0</b>	<b>534,222</b>	<b>41,502</b>	<b>0</b>	<b>594,782</b>
<b>Total Liabilities</b>	<b>116,945</b>	<b>0</b>	<b>550,565</b>	<b>67,694</b>	<b>0</b>	<b>735,204</b>
<b>Equity</b>						
Net HUD PHA Contributions	5,048,069	0	0	0	0	5,048,069
Unreserved	337,788	299,433	(148,157)	486,949	610,374	1,586,387
<b>Total Equity</b>	<b>5,385,857</b>	<b>299,433</b>	<b>(148,157)</b>	<b>486,949</b>	<b>610,374</b>	<b>6,634,456</b>
<b>Total Liabilities and Equity</b>	<b>\$5,502,802</b>	<b>\$299,433</b>	<b>\$402,408</b>	<b>\$554,643</b>	<b>\$610,374</b>	<b>\$7,369,660</b>

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Low Rent Public Housing	Capital Fund Program	Rural Rent Program	Section 8 Housing Choice Vouchers Program	Business Activities	Total
Revenues:						
HUD Grants	\$253,896	\$33,838	\$0	\$2,830,298	\$0	\$3,118,032
Capital Grants	0	207,222	0	0	0	207,222
Other Government Grants	0	0	12,484	0	0	12,484
Rental Income	200,013	0	31,966	0	0	231,979
Investment Income - Unrestricted	13,541	0	1,182	4,010	5,287	24,020
Fraud Recovery	0	0	0	5,518	0	5,518
Other Revenue	0	0	1,370	0	700	2,070
<b>Total Revenue</b>	<b>467,450</b>	<b>241,060</b>	<b>47,002</b>	<b>2,839,826</b>	<b>5,987</b>	<b>3,601,325</b>
Operating Expenses:						
Housing Assistance Payments	0	0	0	2,452,919	0	2,452,919
Administrative Salaries	124,977	0	0	182,866	0	307,843
Outside Management Fees	0	0	6,043	0	0	6,043
Compensated Absences	2,751	0	0	1,853	0	4,604
Tenant Services - Other	1,946	0	0	0	0	1,946
Employee Benefits	56,542	0	0	77,246	0	133,788
Other Administrative Expenses	30,782	2,632	208	52,446	0	86,068
Material and Labor	62,122	1,847	2,268	0	0	66,237
Contract Services	39,546	29,092	10,938	15,170	0	94,746
Utilities	63,715	0	13,519	0	1,735	78,969
General Expenses	12,598	0	1,448	4,843	0	18,889
Payment in Lieu of Taxes	13,436	0	0	0	0	13,436
Interest Expense	0	0	12,752	0	0	12,752
Bad Debt Expense	12,303	0	282	225	0	12,810
<b>Total Operating Expenses</b>	<b>420,718</b>	<b>33,571</b>	<b>47,458</b>	<b>2,787,568</b>	<b>1,735</b>	<b>3,291,050</b>
Operating Income/(Loss)	46,732	207,489	(456)	52,258	4,252	310,275
Other Expenses:						
Fraud Losses	0	0	0	3,798	0	3,798
Depreciation	334,051	9,735	13,396	6,094	2,364	365,640
<b>Total Other Expenses</b>	<b>334,051</b>	<b>9,735</b>	<b>13,396</b>	<b>9,892</b>	<b>2,364</b>	<b>369,438</b>
Operating Income/(Loss)	(287,319)	197,754	(13,852)	42,366	1,888	(59,163)
Other Financing Sources/(Uses):						
Operating Transfers In	266	0	0	0	0	266
Operating Transfers Out	0	(266)	0	0	0	(266)
<b>Total Other Financing Sources/(Uses)</b>	<b>266</b>	<b>(266)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess/(Deficiency) of Operating Revenue Over/(Under) Expenses	(287,053)	197,488	(13,852)	42,366	1,888	(59,163)
Retained Earnings, Beginning of the Year (as restated - see note 9)	624,841	101,945	(134,305)	444,583	608,486	1,645,550
Retained Earnings, End of Year	337,788	299,433	(148,157)	486,949	610,374	1,586,387
Contributed Capital at Beginning of Year(as restated - see note 9)	5,048,069	0	0	0	0	5,048,069
Contributions During Year	0	0	0	0	0	0
Contributed Capital at End of Year	5,048,069	0	0	0	0	5,048,069
<b>Total Fund Equity at End of Year</b>	<b>\$5,385,857</b>	<b>\$299,433</b>	<b>(\$148,157)</b>	<b>\$486,949</b>	<b>\$610,374</b>	<b>\$6,634,456</b>

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Low Rent Public Housing	Capital Fund Program	Rural Rent Program	Section 8 Housing Choice Vouchers Program	Business Activities	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net Operating Income	(\$287,319)	\$197,754	(\$13,852)	\$42,366	\$1,888	(\$59,163)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:						
Depreciation	334,051	9,735	13,396	6,094	2,364	365,640
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:						
(Increase) Decrease In:						
Accounts Receivable - Tenants, net	1,133	0	353	4,433	0	5,919
Accounts Receivable - Fraud, net	0	0	0	5,456	0	5,456
Accounts Receivable - HUD, net	0	0	0	107,046	0	107,046
Accounts Receivable - Interest, net	(2,686)	0	0	1,606	0	(1,080)
Accounts Receivable - Notes, Loans & Mortgages, net	0	0	0	0	(69,600)	(69,600)
Accounts Receivable - Other, net	1,208	0	(30)	(3,501)	(162,517)	(164,840)
Prepaid Expenses	(1,158)	0	(136)	(8)	(26,000)	(27,302)
Inventory	(3,551)	0	0	(801)	0	(4,352)
Interprogram - Due From	0	0	0	(6,991)	0	(6,991)
Increase (Decrease) In:						
Accounts Payable	23,071	0	1,453	(1,524)	0	23,000
Accounts Payable - Other Governments	(811)	0	0	0	0	(811)
Accounts Payable - HUD	0	0	0	(34,123)	0	(34,123)
Security Deposits	926	0	23	(175)	0	774
Accrued Wages and Taxes	0	0	0	2,424	0	2,424
Accrued Compensated Absences	327	0	0	518	0	845
Deferred Revenues	(319)	0	9	0	0	(310)
Interprogram - Due To	5,967	0	1,024	0	0	6,991
Total Adjustments	24,107	0	2,696	74,360	(258,117)	(156,954)
Net Cash Provided By Operating Activities	70,839	207,489	2,240	122,820	(253,865)	149,523
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Change in investments	467,711	0	(541)	(3,920)	0	463,250
Net Cash Used By Investing Activities	467,711	0	(541)	(3,920)	0	463,250
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Debt Reduction	0	0	(1,324)	0	0	(1,324)
Change in fixed assets	(552,682)	(207,489)	1	1,819	540,887	(217,464)
Net Cash Used By Capital Financing Activities	(552,682)	(207,489)	(1,323)	1,819	540,887	(218,788)
Net Increase In Cash	(14,132)	0	376	120,719	287,022	393,985
Cash At The Beginning Of Year	87,082	0	6,479	224,667	0	318,228
Cash At End Of Year	\$72,950	\$0	\$6,855	\$345,386	\$287,022	\$712,213

**PICKAWAY METROPOLITAN HOUSING AUTHORITY**  
CIRCLEVILLE, OHIO  
FOR THE YEAR ENDED DECEMBER 31, 2002

SUMMARY OF ACTIVITY

At the close of fiscal year ended December 31, 2002, the Pickaway Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
Low Rent Public Housing Program	105
Section 8 Housing Choice Vouchers Program	635
Rural Rental Housing Program	<u>16</u>
Total Units	756

PRIOR AUDIT FINDINGS

No prior audit findings.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
 CIRCLEVILLE, OHIO  
 ACTUAL MODERNIZATION COST CERTIFICATION  
 FOR THE YEAR ENDED DECEMBER 31, 2002

1 - The actual Modernization Grant Costs are as follows:

	<u>Project OH16-PO59-501-00</u>
Funds Approved	\$ 229,282
Funds Expended	<u>229,282</u>
Excess/(Deficiency) of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 229,282
Funds Expended	<u>\$ 229,282</u>
Excess/(Deficiency) of Funds Advanced	<u>\$ -</u>
Date Submitted	June 29, 2002

2 - The Distribution of Costs as shown on the Schedule/Report of Modernization Grant Expenditures submitted to HUD for approval are in agreement with the Authority's records.

3 - All Modernization Grant Costs have been paid and all related liabilities have been discharged through payment.



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Board of Commissioners  
Pickaway Metropolitan Housing Authority  
Circleville, Ohio 43113

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

We have audited the financial statements of the Pickaway Metropolitan Housing Authority, Pickaway County, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Pickaway Metropolitan Housing Authority's financial statements are free of material misstatement, we 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 and opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Pickaway Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 31, 2003

**BALESTRA, HARR & SCHERER, CPAs, Inc.**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Compliance**

We have audited the compliance of Pickaway Metropolitan Housing Authority 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 its major federal program for the year ended December 31, 2002. Pickaway Metropolitan Housing Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Pickaway Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Pickaway Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the provisions of the Public and Indian Housing Compliance Supplement dated June 1995. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pickaway Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pickaway Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Pickaway Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

### **Internal Control Over Compliance**

The management of Pickaway Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pickaway Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

July 31, 2003

**PICKAWAY METROPOLITAN HOUSING AUTHORITY**  
**CIRCLEVILLE, OHIO**  
**YEAR ENDING DECEMBER 31, 2002**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Section 8 Housing Choice Vouchers; #14.871
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



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**PICKAWAY METROPOLITAN HOUSING AUTHORITY**

**PICKAWAY 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  
OCTOBER 14, 2003**