

Pickaway Metropolitan Housing Authority

Pickaway County

Single Audit

January 1, 2003 through December 31, 2003

Fiscal Year Audited Under GAGAS: 2003

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

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**Auditor of State  
Betty Montgomery**

Board of Directors  
Pickaway Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Pickaway Metropolitan Housing Authority, Pickaway County, prepared by Balestra, Harr & Scherer CPAs, Inc. for the audit period January 1, 2003 through December 31, 2003. 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

June 28, 2004

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**PICKAWAY METROPOLITAN HOUSING AUTHORITY**  
**CIRCLEVILLE, OHIO**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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# BALESTRA, HARR & SCHERER, CPAs, Inc.

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Board of Commissioners  
Pickaway Metropolitan Housing Authority  
Circleville, Ohio 43113

## INDEPENDENT AUDITORS= REPORT

We have audited the accompanying basic financial statements of Pickaway Metropolitan Housing Authority, Pickaway County, as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Pickaway Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Pickaway Metropolitan Housing Authority, as of December 31, 2003, 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 May 14, 2004 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.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As described in Note 2 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis –for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

May 14, 2004



PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
FOR THE YEAR ENDED DECEMBER 31, 2003

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

It is a privilege to present for you the financial picture of Pickaway Metropolitan Housing Authority. The Pickaway 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 the single enterprise fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, which will begin on page 9.

**FINANCIAL HIGHLIGHTS**

- In 2003, the Housing Authority implemented GASB 34.
- The revenue increased by \$41,120 (or 1.1%) during 2003, and was \$3,601,325 and \$3,642,445 for 2002 and 2003, respectively.
- The total expenses increased by \$214,191 (or 5.8%). Total expenses were \$3,660,488 and \$3,874,679 for 2002 and 2003, respectively.

**USING THIS ANNUAL REPORT**

This is a very different presentation of the Authority's previous financial statements. The following graphic outlining these changes is provided for your review:

<p><b>MD&amp;A</b> ~ Management Discussion and Analysis (new) ~</p>
<p><b>Basic Financial Statements</b> ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~</p>

The new and clearly preferable focus is on the Authority as a single enterprise fund. This new format will 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.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BASIC FINANCIAL STATEMENTS**

The basic financial statements, beginning on page 9, are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the 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, equals "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 (formerly equity) are reported in three broad categories (as applicable):

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Net Capital Assets (net of accumulated depreciation), 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), grantors, contributors, laws, regulations, etc.

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

The basic 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, 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 Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

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

The Authority's programs that are consolidated into a single enterprise fund are as follows:

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.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the authority's units.

Williamsport Terrace (WT) (Rural Rent Program) – This is a multiple family housing project funded by the United States Department of Agriculture. Each month subsidy is paid to the authority and the USDA deducts the mortgage payment from that subsidy. The rental assistance part of the subsidy is reflected as federal expenditures for this program.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO

FOR THE YEAR ENDED DECEMBER 31, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Business Activities – This is the miscellaneous activities of the authority that currently include management consulting for another housing authority and housing activities outside the scope of the conventional and housing choice voucher programs. Houses were developed and sold with attached second and third mortgages of which the authority tracks the activities. The proceeds from the sales are retained in this account to be used at the discretion of the housing authority. Management contracts for non-profit elderly projects.

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.

BASIC FINANCIAL STATEMENTS

**STATEMENT OF NET ASSETS**

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

**TABLE 1**

	2003	(Restated) 2002
	<u>2003</u>	<u>2002</u>
Current and Other Assets	\$ 1,417,468	\$ 1,432,239
Capital Assets	5,706,425	5,917,133
TOTAL ASSETS	<u>7,123,893</u>	<u>7,349,372</u>
Other Liabilities	124,988	119,758
Long-term liabilities	596,307	594,782
TOTAL LIABILITIES	<u>721,295</u>	<u>714,540</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,172,343	5,381,561
Unrestricted	1,230,255	1,253,271
TOTAL NET ASSETS	<u>\$ 6,402,598</u>	<u>\$ 6,634,832</u>

STATEMENT OF NET ASSETS

**MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS**

**Current assets, capital assets and net assets do not reflect any significant changes in comparing the two years.**

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
**CIRCLEVILLE, OHIO**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TABLE 2**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

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

	2003	2002
<b>Revenues</b>		
Tenant Revenue - Rents and Other	\$ 246,586	\$ 231,979
Operating Subsidies and Grants	3,274,885	3,118,032
Capital Grants	94,900	219,706
Investment Income/Other Revenues	26,074	31,608
<b>TOTAL REVENUE</b>	<b>3,642,445</b>	<b>3,601,325</b>
<b>Expenses</b>		
Administration	560,177	532,303
Utilities	85,032	78,969
Maintenance	190,083	160,983
General	77,405	69,674
Housing Assistance Payment	2,611,835	2,452,919
Depreciation	350,147	365,640
<b>TOTAL EXPENSES</b>	<b>3,874,679</b>	<b>3,660,488</b>
<b>NET (DECREASE)</b>	<b>\$ (232,234)</b>	<b>\$ (59,163)</b>

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

Comparisons between the years do not reflect any significant changes. The Authority operated consistently between the years.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
**CIRCLEVILLE, OHIO**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of year end, the Authority had \$5,706,425 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$210,708 from the end of last year after the restatement of capital assets.

**TABLE 3**  
**CAPITAL ASSETS AT YEAR-END**  
**(NET OF DEPRECIATION)**

	2003	2002
Land and Land Rights	\$ 471,802	\$ 471,802
Buildings	8,497,906	8,386,425
Equipment - Administrative	220,841	177,141
Equipment - Dwellings	108,046	108,392
Leasehold Improvements	29,408	29,408
Accumulated Depreciation	(3,621,578)	(3,285,858)
Construction in Progress	0	29,823
<b>TOTAL</b>	<b>\$ 5,706,425</b>	<b>\$ 5,917,133</b>

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4**  
**CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE	\$ 5,917,133
Additions	139,439
Depreciation	(350,147)
<b>ENDING BALANCE</b>	<b>\$ 5,706,425</b>

This year's major additions are:

Capital improvements (CFP) completed on variety of the Authority's Public Housing complexes	\$ 84,773
Equipment, vehicles and other capital assets purchased by operations	58,656
Notebook value of vehicle trade-in	(3,990)
<b>TOTAL ADDITIONS</b>	<b>\$ 139,439</b>

**PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
FOR THE YEAR ENDED DECEMBER 31, 2003  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DEBT ADMINISTRATION**

The Authority's debt is listed as current and long-term debt on the statement of net assets and is a loan in the Williamsport Terrace project, an FHA project. Information about the loan may be seen in Note 9 to the basic financial statements.

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding levels of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect 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
- Market rates for rental housing

**IN CONCLUSION**

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

**FINANCIAL CONTACT**

If you have any questions regarding this report, you may contact Greg Bigam, Executive Director of the Pickaway Metropolitan Housing Authority at 740.477.2514.

Respectfully submitted,

Greg Bigam  
Executive Director

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$258,748
Tenant Accounts Receivable	624
Accounts Receivable - HUD	57,754
Accrued Interest Receivable	6,182
Notes, Loans & Mortgages Receivable	19,500
Accounts Receivable - Fraud	5,076
Accounts Receivable - Other	206,003
Investments - Unrestricted	351,333
Prepaid Expenses	34,813
Inventory	5,265
Interprogram - Due From	33,751
Total Current Assets:	979,049
Noncurrent Assets:	
Cash - Restricted	438,419
Property, Plant and Equipment, net of Accumulated Depreciation	5,706,425
Total Noncurrent Assets:	6,144,844
Total Assets	\$7,123,893
Liabilities	
Current Liabilities:	
Accounts Payable	\$10,561
Accounts Payable - Other Governments	13,289
Tenant Security Deposits	15,810
Accrued Wages and Payroll Taxes	14,720
Accrued Compensated Absences - current portion	34,360
Long Term Debt - current portion	1,400
Interprogram - Due To	33,751
Deferred Revenues	57
Accrued Other Liabilities	1,040
Total Current Liabilities:	124,988
Noncurrent Liabilities:	
Long Term Debt	532,682
Noncurrent Liabilities - Other	27,819
Compensated Absences - noncurrent portion	35,806
Total Long Term Liabilities:	596,307
Total Liabilities	721,295
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,172,343
Unrestricted Net Assets	1,230,255
Total Net Assets	6,402,598
Total Liabilities and Net Assets	\$7,123,893

See accompanying notes to the basic financial statements

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise Fund
Revenues:	
HUD Grants	\$3,274,885
Capital Grants	84,773
Other Government Grants	10,127
Rental Income	246,586
Investment Income - Unrestricted	16,227
Fraud Recovery	4,493
Other Revenue	5,354
Total Revenue	3,642,445
Operating Expenses:	
Housing Assistance Payments	2,611,835
Administrative Salaries	331,391
Outside Management Fees	3,822
Compensated Absences	6,415
Tenant Services - Other	744
Employee Benefits	142,347
Other Administrative Expenses	91,026
Material and Labor	79,338
Contract Services	98,167
Utilities	85,032
General Expenses	22,998
Payment in Lieu of Taxes	13,289
Interest Expense	13,626
Bad Debt Expense	24,502
Total Operating Expenses	3,524,532
Excess/(Deficiency) of Operating Revenues Over/(Under) Operating Expenses	117,913
Other Expenses:	
Depreciation	(350,147)
Total Other Expenses	(350,147)
Excess/(Deficiency) of Operating Revenues Over/(Under) Expenses	(232,234)
Net Assets at Beginning of Year (Restated - see note 2)	6,634,832
Total Net Assets at End of Year	\$6,402,598

See accompanying notes to the basic financial statements



PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$296,550
Cash received from HUD	3,338,175
Cash received from other operating sources	(17,534)
Cash payments for housing assistance payments	(2,611,835)
Cash payments for administrative	(564,796)
Cash payments for other operating expenses	<u>(360,322)</u>
NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES	80,238
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt Reduction	(1,490)
Change in fixed assets	<u>(139,062)</u>
NET CASH PROVIDED BY/(USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(140,552)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments	<u>45,268</u>
NET CASH PROVIDED BY/(USED FOR) INVESTING ACTIVITIES	45,268
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(15,046)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>712,213</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$697,167</u></u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES:	
Operating Income/(Loss)	(\$232,234)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used for) operating activities:	
Depreciation	350,147
(Increase) Decrease In:	
Accounts Receivable - Tenants, net	(136)
Accounts Receivable - Fraud, net	(2,524)
Accounts Receivable - HUD, net	(37,466)
Accounts Receivable - Interest, net	(2,486)
Accounts Receivable - Notes, Loans & Mortgages, net	50,100
Accounts Receivable - Other, net	(31,986)
Prepaid Expenses	(2,846)
Inventory	1,235
Interprogram - Due From	854
Increase (Decrease) In:	
Accounts Payable	(23,850)
Accounts Payable - Other Governments	(147)
Security Deposits	807
Accrued Wages and Taxes	2,751
Accrued Compensated Absences	6,414
Deferred Revenues	7
Interprogram - Due To	(854)
Accrued Other Liabilities	<u>2,452</u>
Total Adjustments	<u>312,472</u>
NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES	<u><u>\$80,238</u></u>

See accompanying notes to the basic financial statements

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

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 "primary 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 the financial statements, and the reported amounts of revenues and 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, 2003

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interprogram Due From/To

The Low Rent Public Housing program and the Rural Rent program have interprogram balances due to the Section 8 Housing Choice Vouchers program in the amounts of \$22,259 and \$11,492, respectively.

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board of Commissioners or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Board Designated Amounts

The Board of Commissioners have designated \$120,000 of net assets for future use for development projects.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year 2003, Pickaway Metropolitan Housing Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. GASB Statement No. 34 creates new basic financial statements for reporting on the Authority’s financial activities. The financial statements are comprised of government-wide financial statements prepared on accrual basis of accounting. The Authority reports only the enterprise fund type, which is reported on the accrual basis of accounting. Therefore, modified accrual fund financial statements are not applicable to the Authority.

The implementation of the Statements requires certain adjustments be recorded to the December 31, 2002, retained earnings of the Authority’s major fund as it were previously reported. The effect of these adjustments and the adjustment made for a prior year accounting error is as follows:

	Enterprise Fund
Retained Earnings, December 31, 2002	\$1,586,387
Restatement Amount	376
Restated Retained Earnings, December 31, 2002	\$1,586,763
Adjustments necessary to comply with GASB 34	
– Reclassification of Contribution Capital	5,048,069
Governmental Activities	
Net Assets, December 31, 2002	\$6,634,832

NOTE 3-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.

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.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

NOTE 3-CASH AND INVESTMENTS (CONTINUED)

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 shows the Authority's deposits (bank balances) in each category: Category 1: \$698,335 was covered by federal depository insurance, and Category 2: \$464,836 was covered by specific collateral pledged by the financial institutions in the name of the Authority.

Book Balances at December 31, 2003 were as follows:

	Cash	Investments	Total
Public Housing	\$127,890	\$131,781	\$259,671
Section 8	268,234	152,649	420,883
Rural Rental Housing	6,860	66,903	73,763
Business Activities	294,183	0	294,183
Total	\$697,167	\$351,333	\$1,048,500

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 confirmation 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 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 as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

NOTE 4-PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2003, by class is as follows:

Land	\$471,802
Buildings & Improvements	8,497,906
Furniture & Equipment – Dwelling	108,046
Furniture & Equipment – Administrative	220,841
Leasehold Improvements	29,408
Total	\$9,328,003
Less: Accumulated Depreciation	(3,621,578)
Net Property & Equipment	\$5,706,425

NOTE 5-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 \$ 45.62/unit for the first 600 Section 8 Housing Choice Vouchers; Units per month x \$ 42.57/unit for Section 8 Housing Choice Vouchers over the first 600; and Units per month x \$ 18.25/unit for those units owned by the Authority

NOTE 6-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 2003 employer contribution rate for local government employers was 13.55% of covered payroll.

The Authority’s contributions to OPERS for the years ending December 31, 2001, 2002, and 2003 were \$72,114, \$95,479, and \$99,339, 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.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2003

NOTE 6-DEFINED PENSION PLANS AND POSTRETIREMENT BENEFITS (CONTINUED)

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 (according to the latest information available).

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% (according to the latest information available).

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 (according to the latest information available). 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 7-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, 2003, based on the vesting method, \$70,166 was accrued by the Authority for unused vacation and sick time.

NOTE 8-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 9-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	\$534,082

Annual payments required vary based on a calculation performed on a monthly basis using the standard loan payment amount, overages on tenant accounts and the rental assistance requested.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003

FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:	FEDERAL CFDA NUMBER	2003 FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$238,309
Public Housing Capital Fund Program	14.872	108,786
Section 8 Housing Choice Vouchers	14.871	3,012,563
Subtotal		3,359,658
U.S. Department of Agriculture:		
Rural Rental Housing Loans	10.415	10,127
Total Federal Assistance		\$3,369,785

See accompanying notes to the Schedule of Federal Awards Expenditures.



PICKAWAYMETROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
YEAR ENDED DECEMBER 31, 2003

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  
COMBINING STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	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	\$50,636	\$0	\$6,860	\$196,107	\$5,145	\$258,748
Tenant Accounts Receivable	472	0	152	0	0	624
Accounts Receivable - HUD	0	0	0	57,754	0	57,754
Accrued Interest Receivable	0	0	0	1,234	4,948	6,182
Notes, Loans & Mortgages Receivable	0	0	0	0	19,500	19,500
Accounts Receivable - Fraud	0	0	0	5,076	0	5,076
Accounts Receivable - Other	810	0	100	7,576	197,517	206,003
Investments - Unrestricted	131,781	0	66,903	152,649	0	351,333
Prepaid Expenses	3,998	0	464	4,351	26,000	34,813
Inventory	2,953	0	0	2,312	0	5,265
Interprogram - Due From	0	0	0	33,751	0	33,751
<b>Total Current Assets:</b>	<b>190,650</b>	<b>0</b>	<b>74,479</b>	<b>460,810</b>	<b>253,110</b>	<b>979,049</b>
<b>Noncurrent Assets:</b>						
Cash - Restricted	77,254	0	0	72,127	289,038	438,419
Property, Plant and Equipment, net of Accumulated Depreciation	5,082,209	193,533	311,485	56,326	62,872	5,706,425
<b>Total Noncurrent Assets:</b>	<b>5,159,463</b>	<b>193,533</b>	<b>311,485</b>	<b>128,453</b>	<b>351,910</b>	<b>6,144,844</b>
<b>Total Assets</b>	<b>\$5,350,113</b>	<b>\$193,533</b>	<b>\$385,964</b>	<b>\$589,263</b>	<b>\$605,020</b>	<b>\$7,123,893</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$8,233	\$0	\$419	\$1,909	\$0	\$10,561
Accounts Payable - Other Governments	13,289	0	0	0	0	13,289
Tenant Security Deposits	13,238	0	2,572	0	0	15,810
Accrued Wages and Payroll Taxes	0	0	0	14,720	0	14,720
Accrued Compensated Absences - current portion	20,179	0	0	14,181	0	34,360
Long Term Debt - current portion	0	0	1,400	0	0	1,400
Interprogram - Due To	22,259	0	11,492	0	0	33,751
Deferred Revenues	56	0	1	0	0	57
Accrued Other Liabilities	0	0	1,040	0	0	1,040
<b>Total Current Liabilities:</b>	<b>77,254</b>	<b>0</b>	<b>16,924</b>	<b>30,810</b>	<b>0</b>	<b>124,988</b>
<b>Noncurrent Liabilities:</b>						
Long Term Debt	0	0	532,682	0	0	532,682
Noncurrent Liabilities - Other	0	0	0	27,819	0	27,819
Compensated Absences - noncurrent portion	19,536	0	0	16,270	0	35,806
<b>Total Long Term Liabilities:</b>	<b>19,536</b>	<b>0</b>	<b>532,682</b>	<b>44,089</b>	<b>0</b>	<b>596,307</b>
<b>Total Liabilities</b>	<b>96,790</b>	<b>0</b>	<b>549,606</b>	<b>74,899</b>	<b>0</b>	<b>721,295</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	5,082,209	193,533	(222,597)	56,326	62,872	5,172,343
Unrestricted Net Assets	171,114	0	58,955	458,038	542,148	1,230,255
<b>Total Net Assets</b>	<b>5,253,323</b>	<b>193,533</b>	<b>(163,642)</b>	<b>514,364</b>	<b>605,020</b>	<b>6,402,598</b>
<b>Total Liabilities and Net Assets</b>	<b>\$5,350,113</b>	<b>\$193,533</b>	<b>\$385,964</b>	<b>\$589,263</b>	<b>\$605,020</b>	<b>\$7,123,893</b>

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Low Rent Public Housing	Capital Fund Program	Rural Rent Program	Section 8 Housing Choice Vouchers Program	Business Activities	Total
Revenues:						
HUD Grants	\$238,309	\$24,013	\$0	\$3,012,563	\$0	\$3,274,885
Capital Grants	0	84,773	0	0	0	84,773
Other Government Grants	0	0	10,127	0	0	10,127
Rental Income	208,478	0	34,801	0	3,307	246,586
Investment Income	6,576	0	796	2,630	6,225	16,227
Fraud Recovery	0	0	0	4,493	0	4,493
Other Revenue	0	0	0	209	5,145	5,354
<b>Total Revenue</b>	<b>453,363</b>	<b>108,786</b>	<b>45,724</b>	<b>3,019,895</b>	<b>14,677</b>	<b>3,642,445</b>
Operating Expenses:						
Housing Assistance Payments	0	0	0	2,611,835	0	2,611,835
Administrative Salaries	133,630	0	0	197,761	0	331,391
Outside Management Fees	0	0	3,822	0	0	3,822
Compensated Absences	4,364	0	0	2,051	0	6,415
Tenant Services - Other	744	0	0	0	0	744
Employee Benefits	61,769	0	0	80,578	0	142,347
Other Administrative Expenses	29,466	99	1,868	59,593	0	91,026
Material and Labor	66,971	2,395	7,405	0	2,567	79,338
Contract Services	44,166	21,519	6,221	26,261	0	98,167
Utilities	73,225	0	11,807	0	0	85,032
General Expenses	15,431	0	1,898	5,669	0	22,998
Payment in Lieu of Taxes	13,289	0	0	0	0	13,289
Interest Expense	0	0	13,626	0	0	13,626
Bad Debt Expense	8,236	0	1,166	0	15,100	24,502
<b>Total Operating Expenses</b>	<b>451,291</b>	<b>24,013</b>	<b>47,813</b>	<b>2,983,748</b>	<b>17,667</b>	<b>3,524,532</b>
Operating Income/(Loss)	2,072	84,773	(2,089)	36,147	(2,990)	117,913
Other Expenses:						
Depreciation	(315,102)	(10,177)	(13,396)	(9,108)	(2,364)	(350,147)
<b>Total Other Expenses</b>	<b>(315,102)</b>	<b>(10,177)</b>	<b>(13,396)</b>	<b>(9,108)</b>	<b>(2,364)</b>	<b>(350,147)</b>
Operating Income/(Loss)	(313,030)	74,596	(15,485)	27,039	(5,354)	(232,234)
Net Assets at Beginning of Year (Restated - see note 2)	5,566,353	118,937	(148,157)	487,325	610,374	6,634,832
<b>Total Net Assets at End of Year</b>	<b>\$5,253,323</b>	<b>\$193,533</b>	<b>(\$163,642)</b>	<b>\$514,364</b>	<b>\$605,020</b>	<b>\$6,402,598</b>

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
CIRCLEVILLE, OHIO  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Low Rent Public Housing Program	Capital Fund Program	Rural Rent Program	Section 8 Housing Choice Vouchers Program	Business Activities	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from tenants	\$208,494	\$0	\$34,649	\$0	\$53,407	\$296,550
Cash received from HUD	242,921	108,786	0	2,975,097	11,371	3,338,175
Cash received from other operating sources	6,576	0	10,785	5,054	(39,949)	(17,534)
Cash payments for housing assistance payments	0	0	0	(2,611,835)	0	(2,611,835)
Cash payments for administrative	(224,866)	(99)	(4,650)	(335,181)	0	(564,796)
Cash payments for other operating expenses	(246,581)	(23,914)	(42,632)	(29,527)	(17,668)	(360,322)
<b>NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>	<b>(13,456)</b>	<b>84,773</b>	<b>(1,848)</b>	<b>3,608</b>	<b>7,161</b>	<b>80,238</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Debt Reduction	0	0	(1,490)	0	0	(1,490)
Change in fixed assets	0	(84,773)	0	(54,289)	0	(139,062)
<b>NET CASH PROVIDED BY/(USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>0</b>	<b>(84,773)</b>	<b>(1,490)</b>	<b>(54,289)</b>	<b>0</b>	<b>(140,552)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Change in investments	68,396	0	3,343	(26,471)	0	45,268
<b>NET CASH PROVIDED BY/(USED FOR) INVESTING ACTIVITIES</b>	<b>68,396</b>	<b>0</b>	<b>3,343</b>	<b>(26,471)</b>	<b>0</b>	<b>45,268</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>54,940</b>	<b>0</b>	<b>5</b>	<b>(77,152)</b>	<b>7,161</b>	<b>(15,046)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>72,950</b>	<b>0</b>	<b>6,855</b>	<b>345,386</b>	<b>287,022</b>	<b>712,213</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$127,890</b>	<b>\$0</b>	<b>\$6,860</b>	<b>\$268,234</b>	<b>\$294,183</b>	<b>\$697,167</b>
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES:</b>						
Operating Income/(Loss)	(\$313,030)	\$74,596	(\$15,485)	\$27,039	(\$5,354)	(\$232,234)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used for) operating activities:						
Depreciation	315,102	10,177	13,396	9,108	2,364	350,147
(Increase) Decrease In:						
Accounts Receivable - Tenants, net	16	0	(152)	0	0	(136)
Accounts Receivable - Fraud, net	0	0	0	(2,524)	0	(2,524)
Accounts Receivable - HUD, net	0	0	0	(37,466)	0	(37,466)
Accounts Receivable - Interest, net	3,492	0	0	(1,029)	(4,949)	(2,486)
Accounts Receivable - Notes, Loans & Mortgages, net	0	0	0	0	50,100	50,100
Accounts Receivable - Other, net	7	0	(70)	3,077	(35,000)	(31,986)
Prepaid Expenses	(559)	0	(68)	(2,219)	0	(2,846)
Inventory	1,672	0	0	(437)	0	1,235
Interprogram - Due From	0	0	0	854	0	854
Increase (Decrease) In:						
Accounts Payable	(22,573)	0	(2,268)	991	0	(23,850)
Accounts Payable - Other Governments	(147)	0	0	0	0	(147)
Security Deposits	882	0	(75)	0	0	807
Accrued Wages and Taxes	0	0	0	2,751	0	2,751
Accrued Compensated Absences	4,363	0	0	2,051	0	6,414
Deferred Revenues	23	0	(16)	0	0	7
Interprogram - Due To	(2,704)	0	1,850	0	0	(854)
Accrued Other Liabilities	0	0	1,040	1,412	0	2,452
<b>Total Adjustments</b>	<b>299,574</b>	<b>10,177</b>	<b>13,637</b>	<b>(23,431)</b>	<b>12,515</b>	<b>312,472</b>
<b>NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>	<b>(\$13,456)</b>	<b>\$84,773</b>	<b>(\$1,848)</b>	<b>\$3,608</b>	<b>\$7,161</b>	<b>\$80,238</b>

**PICKAWAY METROPOLITAN HOUSING AUTHORITY**  
CIRCLEVILLE, OHIO  
FOR THE YEAR ENDED DECEMBER 31, 2003

SUMMARY OF ACTIVITY

At the close of the fiscal year ended December 31, 2003, 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	<u><u>756</u></u>

PRIOR AUDIT FINDINGS

No prior audit findings.

PICKAWAY METROPOLITAN HOUSING AUTHORITY  
 CIRCLEVILLE, OHIO  
 ACTUAL MODERNIZATION COST CERTIFICATION  
 FOR THE YEAR ENDED DECEMBER 31, 2003

1 - The actual Modernization Grant Costs are as follows:

	<u>Project OH16-PO59-501-01</u>
Funds Approved	\$ 233,013
Funds Expended	<u>233,013</u>
Excess/(Deficiency) of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 233,013
Funds Expended	<u>\$ 233,013</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$ -</u></u>
Date Submitted	June 30, 2003

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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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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, 2003, and have issued our report thereon dated May 14, 2004, in which we indicated the Authority adopted Governmental Accounting Standards Board Statement Numbers 34, 37, 38 and Interpretation 6. 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, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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. However, we noted another matter involving the internal control over financial reporting, which we have reported to the management of the Authority in a separate letter dated May 14, 2004.

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.

May 14, 2004

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

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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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, 2003. 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, 2003.

**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.

May 14, 2004

**PICKAWAY METROPOLITAN HOUSING AUTHORITY**  
**CIRCLEVILLE, OHIO**  
**YEAR ENDING DECEMBER 31, 2003**

**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	



**Auditor of State  
Betty Montgomery**

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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  
JULY 13, 2004**