

Pike Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2005



**Auditor of State
Betty Montgomery**

Board of Directors
Pike Metropolitan Housing Authority
2626 Shyville Road
Piketon, Ohio 45661

We have reviewed the *Independent Auditors' Report* of the Pike Metropolitan Housing Authority, Pike County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Pike 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

November 8, 2006

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PIKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005

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Independent Auditors' Report

Board of Directors
Pike Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pike Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Pike Metropolitan Housing Authority, Ohio, as of December 31, 2005, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 27, 2006, on my consideration of Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

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

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Pike Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining financial data schedule ("FDS") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the Basic Financial Statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

July 27, 2006

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

UNAUDITED

The Pike 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 position, and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$137,287 (or 3 %) during 2005, resulting from change from operations. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$4,443,916 and \$4,306,629 for 2005 and 2004 respectively.
- The Authority's total assets at December 31, 2005 were \$6,628,534 representing an increase of \$87,203 from December 31, 2004.
- Revenues increased by \$117,242 (or 4%) during 2005, and were \$3,261,060 and \$3,143,818 for 2005 and 2004 respectively.
- The total expenses of all Authority programs decreased by \$18,225 (or .6%). Total expenses were \$3,126,342 and \$3,144,567 for 2005 and 2004 respectively.

USING THIS ANNUAL REPORT

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

<p>MD&A ~Management's Discussion and Analysis ~</p>
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<p>Basic Financial Statement ~Authority Financial Statements ~</p>

<p>Other Required Supplementary Information ~Required Supplementary Information ~ (other than the MD&A)</p>
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PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

UNAUDITED

Authority Financial Statements

The Authority financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority. The financial information reported within this report combines the Pike Metropolitan Housing Authority (Primary Government) and Emmitt Station (Component Unit).

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 know 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 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:

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

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), 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 or Debt", or "Restricted Net Assets".

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

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

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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Fund Financial Statements

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

The Authority's Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

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

Business Activities - Pike Metropolitan Housing Authority owns several rental properties. These properties are not related to the HUD funded activities that is why it is reported as a business activity. In addition, during the fiscal year the Authority purchased 100% interest in Emmitt Station, a limited liability company that was reflected as a component unit in the financial statements.

State and Local Funds - The state and local funds represent the Authority contracts with the Ohio Housing Finance Agency for construction of four residential housing facilities located at 199 Delay Drive in Piketon, Ohio.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Emmitt Station Limited Partnership (Component Unit) - The Partnership was formed in April 1989, under the laws of the State of Ohio, for the purpose of constructing and operating a 40-unit apartment community ("Emmitt Station") located in Waverly, Ohio. The community is financed by a U.S.D.A., Rural Housing Service Section 515 Loan, and therefore is regulated by Rural Housing Service as to rent charges and operating methods. The apartment community began operation in September 1989. Pike Metropolitan Housing Authority is the General Partner of the Partnership and is the managing agent. During the fiscal year, the Authority purchased 100% of the partnership interest. The activity of Emmitt Station is reported as a component unit until the purchase was completed. Once the purchase was finalized, the assets and liabilities that were assumed were reported as a business activity in Pike Metropolitan Housing Authority wide financial statements.

AUTHORITY STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1
STATEMENT OF NET ASSETS**

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 1,082,683	\$ 939,869
Capital Assets	5,545,851	5,601,462
Total Assets	<u>\$ 6,628,534</u>	<u>\$ 6,541,331</u>
Current Liabilities	\$ 237,380	\$ 252,994
Long-Term Liabilities	1,947,238	1,981,708
Total Liabilities	<u>2,184,618</u>	<u>2,234,702</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	3,544,809	3,640,962
Unrestricted Net Assets	899,107	665,667
Total Net Assets	<u>4,443,916</u>	<u>4,306,629</u>
Total Liabilities and Net Assets	<u>\$ 6,628,534</u>	<u>\$ 6,541,331</u>

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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Major Factors Affecting the Statement of Net Assets

During 2005, current and other assets increased by \$142,814, and total liabilities decreased by \$50,084. The current and other assets, primarily cash, increased due to the result of current year operation.

The decrease in current year liabilities is the result of debt retired during the fiscal year.

Capital assets also changed, decreasing from \$5,601,462 to \$5,545,851. The \$55,611 decrease may be contributed primarily to the restatement of Emmitt Station property to reflect the value paid, less current year depreciation and amortization \$326,058. For more detail see "Capital Assets" below.

TABLE 2

CHANGE OF NET ASSETS

Table 2 presents details on the change in Net Assets

	<u>Unrestricted Net Assets</u>	<u>Investment Capital Assets</u>
Beginning Balance - December 31, 2004	\$ 665,667	\$ 3,640,962
Results of Operation	134,718	0
Adjustments:		
Current year Depreciation Expense (1)	326,058	(326,058)
Capital Expenditure net of retirements (2)	(1,248,845)	1,248,845
Proceeds from debt issued, net of current retirement	1,243,097	(1,243,097)
Transfers between Net Assets	(224,157)	224,157
Prior Period Adjustment	<u>2,569</u>	<u>-</u>
Ending Balance - December 31, 2005	<u>\$ 899,107</u>	<u>\$ 3,544,809</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

PIKE METROPOLITAN HOUSING AUTHORITY
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While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	<u>2005</u>	<u>2004</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 362,994	\$ 385,408
Operating Subsidies	2,388,479	2,615,827
Capital Grants	18,370	57,321
Investment Income	5,010	6,673
Other Revenues	<u>486,207</u>	<u>78,589</u>
Total Revenues	<u>3,261,060</u>	<u>3,143,818</u>
<u>Expenses</u>		
Administrative	559,413	492,172
Tenant Services	2,308	2,326
Utilities	94,444	96,471
Maintenance	221,832	255,956
General and Interest Expenses	153,318	197,796
Housing Assistance Payments	1,768,969	1,786,620
Depreciation	<u>326,058</u>	<u>313,226</u>
Total Expenses	<u>3,126,342</u>	<u>3,144,567</u>
Net Increases (Decreases)	<u>\$ 134,718</u>	<u>\$ (749)</u>

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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

Tenant revenue, Operating Subsidies and Capital Grants decreased during 2005 in comparison to 2004. Over all total revenue increased due to the gain recognized by Emmitt Station Limited Liability Partnership for the sale of its property.

The expenses decreased modestly by \$18,225 as compared to prior year. The main decrease was in the maintenance and interest expense. All other expenses reflected a slight increase due to inflation.

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$5,545,851 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$55,611 or 1% from the end of last year.

TABLE 4

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

	<u>2005</u>		<u>2004</u>
Land	\$ 856,296	\$	1,094,596
Buildings	7,590,717		7,913,710
Equipment	395,129		389,272
Leasehold Improvements	8,700		82,199
Construction in Progress	99,040		80,670
Accumulated Depreciation	<u>(3,404,031)</u>		<u>(3,958,985)</u>
 Total	 <u>\$ 5,545,851</u>	 \$	 <u>5,601,462</u>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 26 of the notes.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance - December 31, 2004	\$	5,601,462
Current year Additions net of Depreciation		966,359
Disposal of Assets net of Depreciation		<u>(1,021,970)</u>
Ending Balance - December 31, 2005	\$	<u><u>5,545,851</u></u>

The current year additions represent Pike Metropolitan Housing Authority purchase of Emmitt Station plus 2 additional properties. The current year disposal represents the sale of land plus Emmitt Station Limited Partnership (component unit) sale of its property to Pike Metropolitan Housing Authority (primary government).

Debt Outstanding

As of year-end, the Authority has \$2,001,042 in debt (mortgages) outstanding compared to \$1,960,500 last year. The \$40,542 increase was a result of restructuring of the Emmitt Station mortgage with Rural Development plus addition debt incurred to finance the purchase of 236 St Mary and 412 Market Street property.

TABLE 6

CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance - December 31, 2004	\$	1,960,500
Current Year Loan Proceeds		1,243,097
Adjustment to Reconcile Balance		266
Current Year Principal Payments		<u>(1,202,821)</u>
Ending Balance - December 31, 2005	\$	<u><u>2,001,042</u></u>

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to 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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Gary Roberts, Executive Director of the Pike Metropolitan Housing Authority, at (740) 289-4534. Specific requests may be submitted to the Pike Metropolitan Housing Authority at 2626 Shyville Road, Piketon, Ohio 45661.

Pike Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
December 31, 2005

	<i>Primary Government</i>	<i>Component Units</i>
ASSETS		
Current assets		
Cash and cash equivalents	\$391,865	\$0
Investments	675,220	0
Receivables, net	3,469	0
Inventories, net	6,756	0
Prepaid expenses and other assets	5,373	0
Total current assets	1,082,683	0
Noncurrent assets		
Capital assets:		
Land	856,296	0
Building and equipment	7,994,546	0
Construction in Progress	99,040	0
Less accumulated depreciation	(3,404,031)	0
Total noncurrent assets	5,545,851	0
Total assets	\$6,628,534	\$0
LIABILITIES		
Current liabilities		
Accounts payable	\$13,457	\$0
Accrued liabilities	47,943	0
Intergovernmental payables	25,876	0
Tenant security deposits	29,885	0
Deferred revenue	7,482	0
Bonds, notes, and loans payable	73,143	0
Other current liabilities	39,594	0
Total current liabilities	237,380	0

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Pike Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2005**

	<i>Primary Government</i>	<i>Component Units</i>
Noncurrent liabilities		
Bonds, notes, and loans payable	1,927,899	0
Accrued compensated absences non-current	19,339	0
<i>Total noncurrent liabilities</i>	<i>1,947,238</i>	<i>0</i>
Total liabilities	\$2,184,618	\$0
 <i>NET ASSETS</i>		
Invested in capital assets, net of related debt	\$3,544,809	\$0
Unrestricted net assets	899,107	0
Total net assets	\$4,443,916	\$0

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

Pike Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	<i>Primary Government</i>	<i>Component Units</i>
<i>OPERATING REVENUES</i>		
Tenant Revenue	\$302,122	\$60,872
Government operating grants	2,349,693	38,786
Other revenue	109,350	60,858
Total operating revenues	2,761,165	160,516
<i>OPERATING EXPENSES</i>		
Administrative	522,587	36,826
Tenant services	2,308	0
Utilities	83,508	10,936
Maintenance	217,350	4,482
General	66,374	17,785
Housing assistance payment	1,768,969	0
Depreciation	282,486	43,572
Total operating expenses	2,943,582	113,601
Operating income (loss)	(182,417)	46,915
<i>NONOPERATING REVENUES (EXPENSES)</i>		
Interest and investment revenue	4,261	749
Gain on Sale of Asset	0	315,999
Interest expense	(49,054)	(20,105)
Total nonoperating revenues (expenses)	(44,793)	296,643
Income (loss) before contributions and transfers	(227,210)	343,558
Capital grants	18,370	0
Change in net assets	(208,840)	343,558
Total net assets - beginning	4,650,187	(343,558)
Prior Period Adjustment	2,569	0
Total net assets - ending	\$4,443,916	\$0

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

Pike Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2005

	<i>Primary Government</i>	<i>Component Units</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating grants received	\$2,349,693	\$38,786
Tenant revenue received	301,718	60,872
Other revenue received	113,662	60,858
General and administrative expenses paid	(920,053)	(154,495)
Housing assistance payments	(1,768,969)	0
	76,051	6,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	4,261	749
Transfer (to)/from Investments	(53,664)	92,655
	(49,403)	93,404
ACTIVITIES		
Loan proceeds received	1,243,097	0
Capital grant funds received	18,370	0
Proceeds from Sale of Assets	186,556	1,044,396
Debt principal payment	(53,390)	(1,149,431)
Interest paid on debt	(49,054)	(20,105)
Property and equipment purchased	(1,248,845)	0
	96,734	(125,140)
Net increase (decrease) in cash	123,382	(25,715)
Rounding Adjustment	0	1
Cash and cash equivalents - Beginning of year	268,483	25,714
	\$391,865	\$0
Cash and cash equivalents - End of year	\$391,865	\$0

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Pike Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2005**

	<i>Primary Government</i>	<i>Component Units</i>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	(\$182,417)	\$46,915
Operating Activities		
- Depreciation	282,486	43,572
- (Increases) Decreases in Accounts Receivable	6,477	2,536
- (Increases) Decreases in Prepaid Assets	2,548	1,950
- (Increases) Decreases in Inventory	(775)	0
- Increases (Decreases) in Accounts Payable	(1,935)	(2,773)
Intergovernmental	(60,067)	(15,305)
- Increases (Decreases) in Accrued Expenses Payable	(1,656)	(2,129)
- Increases (Decreases) in Deferred Revenue	7,482	0
- Increases (Decreases) in Other Current Liabilities	17,096	0
- Increases (Decreases) in Other Noncurrent Liabilities	0	(58,358)
- Increases (Decreases) in Accrued Compensated Absences	5,032	0
- Increases (Decreases) in Tenant Security Deposits	1,780	(10,387)
Net cash provided by operating activities	\$76,051	\$6,021

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Pike Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

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

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

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accompanying financial statements present the Authority's primary government and Emmitt Station Limited Partnership, component unit, which the Authority exercises significant control.

Component Units

The component unit is reported in the Authority financial statements as shown below:

Discretely Presented Component Unit
Emmitt Station Limited Partnership

Brief Description and Relationship

The Partnership was formed in April 1989, under the laws of the State of Ohio, for the purpose of constructing and operating a 40-unit apartment community ("Emmitt Station") located in Waverly, Ohio. The community is financed by a U.S.D.A., Rural Housing Service Section 515 Loan, and therefore is regulated by Rural Housing Service as to rent charges and operating methods. The apartment community began operation in September 1989.

Pike Metropolitan Housing Authority is the General Partner of the Partnership and is the managing agent.

In 2005, Pike MHA purchase 100% of the interest in the partnership. Emmitt Station no longer exists as a separate stand alone entity.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Fund Accounting

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

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

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of programs

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

A. Public Housing Program

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

B. Capital Fund Program

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

C. Housing Choice Voucher Program

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

D. Business Activities

Pike Metropolitan Housing Authority owns several rental properties. These properties are not related to the HUD funded activities that is why it is reported as a business activity.

E. State and Local Funds

The state and local funds represent the Authority contracts with the Ohio Housing Finance Agency for construction of four residential housing facilities located at 199 Delay Drive in Piketon, Ohio.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2005 totaled \$4,261.

Emmitt Station, Component Unit, had interest income earned in the fiscal year of \$749.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Net Assets

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cash and Cash Equivalents

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

Compensated Absences

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Budgetary Accounting

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

Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

A. **Primary Government**

Deposits

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

- A. 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- C. 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 end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Government Accounting Standards Board Statement No. 3 (GASB #3) has established custodial credit risk categories for deposits and investments as follows:

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

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

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution’s trust department or agent, but not in the Authority’s name).

The carrying amount of the Authority’s deposits was \$391,865 at December 31, 2005. The corresponding bank balance was \$426,335. Of the bank balance, \$151,910 was covered by federal deposit insurance (FDIC) with the remaining balance covered by collateralization held by the bank in the Authority’s name as required by HUD. The custodial credit risk for the Authority deposit is Category 1.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies,

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

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

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 2 years.

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

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority practice to do business with more than one depository.

The carrying amount of the Authority's investment was \$675,221 at December 31, 2005, with the same corresponding bank balance. The investments are held in certificate of deposits and high yielding savings accounts.

B. Component Unit

As of December 31, 2005, Emmitt Station Limited Partnership interest was bought by Pike Metropolitan Housing Authority. Therefore at year end Emmitt Station Limited Partnership was no longer in existence as a separate stand alone entity. All of the partnership assets were transfer to the primary government and reflected above.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2005 the Authority maintains

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3: RISK MANAGEMENT (Continued)

comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 4: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

NOTE 5: CAPITAL ASSETS

The following is a summary of the Authority changes in capital assets:

	<u>Primary Government</u>				Balance 129/31/05
	Balance 12/31/04	Adjust	Additions	Deletion	
Capital Assets Not Being Depreciated:					
Land	\$1,044,696	\$0	\$61,600	\$250,000	\$856,296
Construction in Progress	80,670	(61,950)	80,320	0	99,040
Total Capital Assets Not Being Depreciated	1,125,366	(61,950)	141,920	250,000	955,336
Capital Assets Being Depreciated:					
Buildings	6,428,970	61,950	1,099,797	0	7,590,717
Furnt, Mach. and Equip.	388,002	0	7,127	0	395,129
Leasehold Improvement	8,700	0	0	0	8,700
Total Capital Assets Being Depreciated	6,825,672	61,950	1,106,924	0	7,994,546
Accumulated Depreciation	(3,121,546)	0	(282,485)	0	(3,404,031)
Total Capital Assets Being Depreciated, Net	3,704,126	61,950	824,439	0	4,590,515
Total Capital Assets, Net	\$4,829,492	\$0	\$966,359	\$250,000	\$5,545,851

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5: CAPITAL ASSETS (Continued)

	<u>Component Unit</u>				Balance 129/31/05
	Balance 12/31/04	Adjust	Additions	Deletion	
Capital Assets Not Being Depreciated:					
Land	\$49,900	\$0	\$0	\$49,900	\$0
Construction in Progress	0	0	0	0	0
Total Capital Assets Not Being Depreciated	49,900	0	0	49,900	0
Capital Assets Being Depreciated:					
Buildings	1,484,740	0	0	1,484,740	0
Furnt, Mach. and Equip.	1,270	0	0	1,270	0
Leasehold Improvement	73,499	0	0	73,499	0
Total Capital Assets Being Depreciated	1,559,509	0	0	1,559,509	0
Accumulated Depreciation	(837,439)	0	(43,572)	(881,011)	0
Total Capital Assets Being Depreciated, Net	722,070	0	(43,572)	678,498	0
Total Capital Assets, Net	\$771,970	\$0	(\$43,572)	\$728,398	\$0

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

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)

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

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 employer pension contribution rate for Authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2005, 2004, and 2003 amounted to \$52,828, \$49,204 and \$45,943 respectively. Ninety-Two percent has been contributed for 2005. All required contributions for the two previous years have been paid.

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)

retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year ended September 30, 2005 was 4.0 percent of covered payroll, which amounted to \$15,595. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual expense (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 8: LONG TERM DEBT

PIKE METROPOLITAN HOUSING AUTHORITY:

The Authority had the following mortgage loan for rental property owned:

	Original Loan Amount	Range of Maturity Date	Interest Rate	Life of Loan	12/31/05 Balance
FIRST NATIONAL BANK:					
- Loan No. 7661	\$12,200	1995-2010	7.75%	15 Yrs	\$5,615
- Loan No. 8245	\$50,200	1997-2012	7.50%	15 Yrs	15,414
FIFTH THIRD BANK:					
- Loan No. 00042	\$127,000	2001-2016	6.63%	15 Yrs	101,768
- Loan No. 00026	\$85,000	2001-2013	6.63%	12 Yrs	57,492
- Loan No. 00067	\$120,000	2002-2022	5.45%	15 Yrs	108,117
- Loan No. 00075	\$168,000	2003-2018	4.89%	10 Yrs	149,224
- Loan No. 00083	\$163,000	2004-2034	4.44%	10 Yrs	157,695
OHIO VALLEY BANK:					
- 412 Market Street	\$41,140	2005-2024	6.25%	20 Yrs	40,140
- 235 St Mary	\$55,099	2005-2025	7.40%	20 Yrs	54,486
US DEPARTMENT OF AGRICULTURE:					
- Emmitt Station	\$1,146,858	2005-2055	5.375%	50 Yrs	1,146,101
COUNTY MR/DD:					
- 212 St. Anns Lane	\$8,280	1993-2008	0.00%	15 Yrs	4,140
- 77 Circlevew Dr.	\$8,280	1992-2007	0.00%	15 Yrs	1,676
- 337 Arlington Ave.	\$18,933	1995-2010	0.00%	15 Yrs	11,833
- 221 St Anns Lane	\$19,667	1995-2010	0.00%	15 Yrs	13,767
- 212 Grandview	\$42,792	2000-2015	0.00%	15 Yrs	28,574
- 107 Commercial Blvd.	\$42,000	2001-2016	0.00%	15 Yrs	33,000
-102 Sunrise	\$45,000	2002-2017	0.00%	15 Yrs	36,000
-599 Walnut	\$45,000	2002-2017	0.00%	15 Yrs	36,000
TOTAL OUTSTANDING DEBT					2,001,042
LESS: CURRENT PORTION					(73,143)
TOTAL LONG TERM DEBT					<u>\$1,927,899</u>

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 8: LONG TERM DEBT (Continued)

The County MR/DD Loans are forgiven at the end of the term of the loan. The Authority amortizes the loans and annually recognizes as revenue the current year amount that expired.

<u>Description</u>	<u>Balance 01/01/05</u>	<u>Issued</u>	<u>Adjust.</u>	<u>Retired</u>	<u>Balance 12/31/05</u>
Primary Government:					
Mortgage Loans	\$811,069	\$1,243,097	\$266	\$53,390	\$2,001,042

EMMITT STATION (COMPONENT UNIT):

During the fiscal year there was a mortgage note payable to Rural Housing Service in monthly installments of \$9,011, at an interest rate of 9% and a term of 50 years, maturing in year 2039. As part of the Loan Agreement, the Partnership entered into an Interest Credit and Rental Assistance Agreement that reduces the monthly mortgage payment to \$2,520, which effectively lowers the interest rate to approximately 1% over the term of the loan. The mortgage liability of the Partnership is limited to the underlying value of the real estate collateral pledged.

Under the Loan Agreement with Rural Housing Service, the Partnership is required to make monthly reserve for replacement deposits, and is subject to operating and returns to owner restrictions.

On September 15, 2005, the mortgage was re-issued to Pike Metropolitan Housing Authority because Pike purchased 100% of the interest in Emmitt Station Limited Partnership. The detail of the loan is reflected above under the primary government debt information. As of the date of the sale, Emmitt Station Limited Partnership is no longer a stand alone entity.

The following is a summary of the change in the Long-Term Debt for the year ended December 31, 2005:

<u>Description</u>	<u>Balance 01/01/05</u>	<u>Issued</u>	<u>Adjust.</u>	<u>Retired</u>	<u>Balance 12/31/05</u>
Component Unit:					
Mortgage Loans	\$1,149,431	\$0	\$0	\$1,149,431	\$0

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8: LONG TERM DEBT (Continued)

The annual debt maturities as of December 31, 2005 are as follows:

<u>YEAR</u>	<u>PRIMARY GOVERNMENT</u>		<u>COMPONENT UNIT</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$73,143	\$49,293	\$0	\$0
2007	74,391	46,995	0	0
2008	75,137	44,574	0	0
2009	76,345	41,985	0	0
2010	78,957	39,255	0	0
2011-2015	531,992	138,600	0	0
2016-2020	190,659	71,986	0	0
2021-2025	153,739	46,153	0	0
2026-2030	111,056	34,855	0	0
2031-2035	116,747	29,164	0	0
2036-2040	122,730	23,181	0	0
2041-2045	129,020	16,891	0	0
2046-2050	135,632	10,279	0	0
2051-2055	131,494	7,899	0	0
Total	\$2,001,042	\$601,110	\$ 0	\$ 0

NOTE 10: PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$2,569 represent HUD adjustment to the administration fees earned for the year ended December 31, 2004.

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
111	Cash - Unrestricted	\$193,167	\$40,956	\$84,448	\$0	\$7,113	\$0	\$325,684
113	Cash - Other Restricted	\$0	\$0	\$39,594	\$0	\$0	\$0	\$39,594
114	Cash - Tenant Security Deposits	\$11,783	\$14,804	\$0	\$0	\$0	\$0	\$26,587
100	Total Cash	\$204,950	\$55,760	\$124,042	\$0	\$7,113	\$0	\$391,865
126	Accounts Receivable - Tenants - Dwelling Rents	\$1,286	\$4,683	\$0	\$0	\$0	\$0	\$5,969
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$2,500)	\$0	\$0	\$0	\$0	(\$2,500)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$1,286	\$2,183	\$0	\$0	\$0	\$0	\$3,469
131	Investments - Unrestricted	\$287,859	\$170,679	\$112,304	\$0	\$0	\$0	\$570,842
132	Investments Restricted	\$104,378	\$0	\$0	\$0	\$0	\$0	\$104,378
142	Prepaid Expenses and Other Assets	\$1,424	\$3,676	\$164	\$0	\$109	\$0	\$5,373
143	Inventories	\$0	\$6,766	\$0	\$0	\$0	\$0	\$6,766
143.1	Allowance for Obsolete Inventories	\$0	(\$10)	\$0	\$0	\$0	\$0	(\$10)
144	Interprogram Due From	\$0	\$0	\$29,467	\$0	\$0	\$0	\$29,467
150	Total Current Assets	\$599,897	\$239,054	\$265,977	\$0	\$7,222	\$0	\$1,112,150
161	Land	\$203,573	\$615,223	\$0	\$0	\$37,500	\$0	\$856,296
162	Buildings	\$2,309,400	\$5,001,777	\$0	\$0	\$279,540	\$0	\$7,590,717

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$162,381	\$0	\$0	\$0	\$0	\$162,381
164	Furniture, Equipment & Machinery - Administration	\$5,401	\$170,992	\$56,355	\$0	\$0	\$0	\$232,748
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$8,700	\$0	\$8,700
166	Accumulated Depreciation	(\$329,275)	(\$3,018,389)	(\$39,918)	\$0	(\$16,449)	\$0	(\$3,404,031)
167	Construction In Progress	\$0	\$0	\$0	\$99,040	\$0	\$0	\$99,040
160	Total Fixed Assets, Net of Accumulated Depreciation	\$2,189,099	\$2,931,984	\$16,437	\$99,040	\$309,291	\$0	\$5,545,851
190	Total Assets	\$2,788,996	\$3,171,038	\$282,414	\$99,040	\$316,513	\$0	\$6,658,001
312	Accounts Payable <= 90 Days	\$4,709	\$5,969	\$2,772	\$0	\$7	\$0	\$13,457
321	Accrued Wage/Payroll Taxes Payable	\$0	\$11,566	\$5,119	\$0	\$0	\$0	\$16,685
322	Accrued Compensated Absences - Current Portion	\$0	\$23,982	\$7,276	\$0	\$0	\$0	\$31,258
333	Accounts Payable - Other Government	\$18,944	\$6,932	\$0	\$0	\$0	\$0	\$25,876
341	Tenant Security Deposits	\$14,498	\$14,804	\$0	\$0	\$583	\$0	\$29,885
342	Deferred Revenues	\$0	\$0	\$7,482	\$0	\$0	\$0	\$7,482
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$65,906	\$0	\$0	\$0	\$7,237	\$0	\$73,143
345	Other Current Liabilities	\$0	\$0	\$39,594	\$0	\$0	\$0	\$39,594
347	Interprogram Due To	\$0	\$29,467	\$0	\$0	\$0	\$0	\$29,467
310	Total Current Liabilities	\$104,057	\$92,720	\$62,243	\$0	\$7,827	\$0	\$266,847

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$1,777,758	\$0	\$0	\$0	\$150,141	\$0	\$1,927,899
354	Accrued Compensated Absences - Non Current	\$0	\$12,442	\$6,897	\$0	\$0	\$0	\$19,339
350	Total Noncurrent Liabilities	\$1,777,758	\$12,442	\$6,897	\$0	\$150,141	\$0	\$1,947,238
300	Total Liabilities	\$1,881,815	\$105,162	\$69,140	\$0	\$157,968	\$0	\$2,214,085
508.1	Invested in Capital Assets, Net of Related Debt	\$345,435	\$2,931,984	\$16,437	\$99,040	\$151,913	\$0	\$3,544,809
512.1	Unrestricted Net Assets	\$561,746	\$133,892	\$196,837	\$0	\$6,632	\$0	\$899,107
513	Total Equity/Net Assets	\$907,181	\$3,065,876	\$213,274	\$99,040	\$158,545	\$0	\$4,443,916
600	Total Liabilities and Equity/Net Assets	\$2,788,996	\$3,171,038	\$282,414	\$99,040	\$316,513	\$0	\$6,658,001
703	Net Tenant Rental Revenue	\$159,971	\$114,431	\$0	\$0	\$21,707	\$60,872	\$356,981
704	Tenant Revenue - Other	\$0	\$6,013	\$0	\$0	\$0	\$0	\$6,013
705	Total Tenant Revenue	\$159,971	\$120,444	\$0	\$0	\$21,707	\$60,872	\$362,994
706	HUD PHA Operating Grants	\$0	\$265,252	\$2,045,441	\$39,000	\$0	\$0	\$2,349,693
706.1	Capital Grants	\$0	\$0	\$0	\$18,370	\$0	\$0	\$18,370
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$38,786	\$38,786
711	Investment Income - Unrestricted	\$2,023	\$1,340	\$715	\$0	\$0	\$0	\$4,078
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$104,037	\$5,313	\$0	\$0	\$0	\$60,858	\$170,208
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$315,999	\$315,999

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
720	Investment Income - Restricted	\$178	\$5	\$0	\$0	\$0	\$749	\$932
700	Total Revenue	\$266,209	\$392,354	\$2,046,156	\$57,370	\$21,707	\$477,264	\$3,261,060
911	Administrative Salaries	\$6,177	\$102,355	\$151,861	\$10,000	\$227	\$16,037	\$286,657
912	Auditing Fees	\$2,544	\$2,380	\$2,500	\$0	\$180	\$2,000	\$9,604
913	Outside Management Fees	\$0	\$0	\$0	\$0	\$0	\$10,005	\$10,005
915	Employee Benefit Contributions - Administrative	\$660	\$57,042	\$40,166	\$0	\$59	\$5,069	\$102,996
916	Other Operating - Administrative	\$59,069	\$30,102	\$56,608	\$0	\$657	\$3,715	\$150,151
924	Tenant Services - Other	\$0	\$2,308	\$0	\$0	\$0	\$0	\$2,308
931	Water	\$16,952	\$34,106	\$0	\$0	\$1,752	\$7,816	\$60,626
932	Electricity	\$14,123	\$6,352	\$912	\$0	\$408	\$3,120	\$24,915
933	Gas	\$4,087	\$4,651	\$165	\$0	\$0	\$0	\$8,903
941	Ordinary Maintenance and Operations - Labor	\$10,886	\$94,890	\$0	\$0	\$2,044	\$0	\$107,820
942	Ordinary Maintenance and Operations - Materials and Other	\$18,086	\$24,388	\$1,959	\$0	\$2,293	\$1,393	\$48,119
943	Ordinary Maintenance and Operations - Contract Costs	\$6,882	\$14,827	\$0	\$0	\$556	\$3,089	\$25,354
945	Employee Benefit Contributions - Ordinary Maintenance	\$3,553	\$36,450	\$0	\$0	\$536	\$0	\$40,539
961	Insurance Premiums	\$4,808	\$25,792	\$3,846	\$0	\$449	\$2,500	\$37,395
963	Payments in Lieu of Taxes	\$19,452	\$6,932	\$0	\$0	\$0	\$15,285	\$41,669
964	Bad Debt - Tenant Rents	\$0	\$5,095	\$0	\$0	\$0	\$0	\$5,095
967	Interest Expense	\$41,882	\$0	\$0	\$0	\$7,172	\$20,105	\$69,159
969	Total Operating Expenses	\$209,161	\$447,670	\$258,017	\$10,000	\$16,333	\$90,134	\$1,031,315

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
970	Excess Operating Revenue over Operating Expenses	\$57,048	(\$55,316)	\$1,788,139	\$47,370	\$5,374	\$387,130	\$2,229,745
973	Housing Assistance Payments	\$0	\$0	\$1,768,969	\$0	\$0	\$0	\$1,768,969
974	Depreciation Expense	\$63,774	\$201,165	\$6,802	\$0	\$10,745	\$43,572	\$326,058
900	Total Expenses	\$272,935	\$648,835	\$2,033,788	\$10,000	\$27,078	\$133,706	\$3,126,342
1001	Operating Transfers In	\$0	\$29,000	\$0	\$0	\$0	\$0	\$29,000
1002	Operating Transfers Out	\$0	\$0	\$0	(\$29,000)	\$0	\$0	(\$29,000)
1010	Total Other Financing Sources (Uses)	\$0	\$29,000	\$0	(\$29,000)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$6,726)	(\$227,481)	\$12,368	\$18,370	(\$5,371)	\$343,558	\$134,718
1103	Beginning Equity	\$913,907	\$3,293,357	\$198,337	\$80,670	\$163,916	(\$343,558)	\$4,306,629
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$2,569	\$0	\$0	\$0	\$2,569
	Ending Equity	\$907,181	\$3,065,876	\$213,274	\$99,040	\$158,545	\$0	\$4,443,916
1120	Unit Months Available	480	1,164	6,300	0	48	480	8,472
1121	Number of Unit Months Leased	479	1,116	6,079	0	47	474	8,195

Pike Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2005

Capital Fund Program Number OH16P06050203

1. The Program Costs are as follows:

Funds Approved	\$28,773
Funds Expended	<u>28,773</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$28,773
Funds Expended	<u>28,773</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

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

Pike Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2005

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$265,252
Housing Choice Vouchers	14.871	2,045,441
Public Housing Capital Fund Program	14.872	<u>57,370</u>
TOTAL AWARDS		<u><u>\$2,368,063</u></u>



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

Board of Directors
Pike Metropolitan Housing Authority

I have audited the financial statements of the business-type activities, and the aggregate discretely presented component unit of the Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Pike Metropolitan Housing Authority basic financial statements and have issued my report thereon dated July 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pike Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Salvatore Consiglio".

Salvatore Consiglio, CPA, Inc.

July 27, 2006



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

Board of Directors
Pike Metropolitan Housing Authority

Compliance

I have audited the compliance of the Pike Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. Pike Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pike Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Pike Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Pike Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

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

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

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



Salvatore Consiglio, CPA, Inc.

July 27, 2006

Pike Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.871 – Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended December 31, 2005.

3. FINDINGS REALTED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended December 31, 2005.

Pike Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2005

The audit report for the fiscal year ending December 31, 2004 contained no audit finding.



**Auditor of State
Betty Montgomery**

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PIKE METROPOLITAN HOUSING AUTHORITY

PIKE 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
NOVEMBER 21, 2006**