

Pike Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2006



Mary Taylor, CPA
Auditor of State

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, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 11, 2007

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PIKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

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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 of Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2006, 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 of the Pike Metropolitan Housing Authority, Ohio, as of December 31, 2006, 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 August 10, 2007, 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") is 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.

August 10, 2007

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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 \$472,687 (or 10.64 %) during 2006, resulting from change from operations. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$4,916,603 and \$4,443,916 for 2006 and 2005 respectively.
- The Authority's total assets at December 31, 2006 were \$7,835,860 representing an increase of \$1,207,326 from December 31, 2005.
- Revenues increased by \$535,326 (or 16.42%) during 2006, and were \$3,796,386 and \$3,261,060 for 2006 and 2005 respectively.
- The total expenses of all Authority programs increased by \$214,851 (or 6.87%). Total expenses were \$3,341,193 and \$3,126,342 for 2006 and 2005 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, 2006

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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
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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.

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
DECEMBER 31, 2006

UNAUDITED

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>2006</u>	<u>2005</u>
Current and Other Assets	\$ 1,238,002	\$ 1,082,683
Capital Assets	<u>6,597,858</u>	<u>5,545,851</u>
Total Assets	<u>\$ 7,835,860</u>	<u>\$ 6,628,534</u>
Current Liabilities	\$ 200,624	\$ 237,380
Long-Term Liabilities	<u>2,718,633</u>	<u>1,947,238</u>
Total Liabilities	<u>2,919,257</u>	<u>2,184,618</u>
Net Assets:		
Investment in Capital Assets, net of Related	3,841,948	3,544,809
Unrestricted Net Assets	<u>1,074,655</u>	<u>899,107</u>
Total Net Assets	<u>4,916,603</u>	<u>4,443,916</u>
Total Liabilities and Net Assets	<u>\$ 7,835,860</u>	<u>\$ 6,628,534</u>

Major Factors Affecting the Statement of Net Assets

During 2006, current and other assets increased by \$155,319. The current and other assets, primarily cash, increased due to the result of current year operation.

Capital assets also changed, increasing from \$5,545,851 to \$6,597,858. The \$1,052,007 increase is contributed primarily to current year purchases less current year depreciation. For more detail see "Capital Assets" below.

Total liabilities increase in current year by \$734,639. The increase is due to additional debt incurred for the purchase of the maintenance building and Emmitt Station renovations.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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TABLE 2

CHANGE OF NET ASSETS

Table 2 presents details on the change in Net Assets

	Unrestricted Net Assets	Investment Capital Assets
Beginning Balance - December 31, 2005	\$ 899,107	\$ 3,544,809
Results of Operation	455,193	0
Adjustments:		
Current year Depreciation Expense (1)	323,514	(323,514)
Capital Expenditure net of retirements (2)	(1,437,169)	1,437,169
Proceeds from debt issued, net of current retirement	812,289	(812,289)
Prior Period Adjustment	21,721	(4,227)
Ending Balance - December 31, 2006	<u>\$ 1,074,655</u>	<u>\$ 3,841,948</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

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.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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	<u>2006</u>	<u>2005</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 368,902	\$ 362,994
Operating Subsidies	2,458,486	2,388,479
Capital Grants	723,382	18,370
Investment Income	27,015	5,010
Other Revenues	218,601	486,207
Total Revenues	3,796,386	3,261,060
<u>Expenses</u>		
Administrative	503,333	559,413
Tenant Services	909	2,308
Utilities	95,011	94,444
Maintenance	411,924	221,832
General and Interest Expenses	155,977	153,318
Housing Assistance Payments	1,779,834	1,768,969
Depreciation	323,514	326,058
Casualty Losses - Non-Capitalized	70,691	-
Total Expenses	3,341,193	3,126,342
Net Increases (Decreases)	\$ 455,193	\$ 134,718

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

Tenant revenue, Operating Subsidies and Capital Grants increased during 2006 in comparison to 2005. Over all total revenue increased by \$535,326, and was due to additional grant funds received for the capital improvements in Emmitt Station that was partially funded with a \$500,000 grant received from HOFA.

The expenses increased by \$214,851 as compared to prior year. The main increase was in the maintenance expense due to the soft costs incurred in the capital improvements of Emmitt Station and casualty loss incurred of \$70,691 due to a fire in one of the units.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$6,597,858 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (current purchases less depreciation) of \$1,052,007 or 18.97% from the end of last year.

TABLE 4

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

	<u>2006</u>		<u>2005</u>
Land	\$ 906,296	\$	856,296
Buildings	7,978,770		7,590,717
Equipment	415,466		395,129
Leasehold Improvements	683,097		8,700
Construction in Progress	322,422		99,040
Accumulated Depreciation	<u>(3,708,193)</u>		<u>(3,404,031)</u>
 Total	 <u>\$ 6,597,858</u>	 \$	 <u>5,545,851</u>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 25 of the notes.

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance - December 31, 2005	\$	5,545,851
Current year Additions net of Depreciation		1,437,169
Depreciation Expense		(323,514)
Casualty Losses - net of depreciation		(70,691)
Prior Period Adjustment		<u>9,043</u>
 Ending Balance - December 31, 2006	 \$	 <u><u>6,597,858</u></u>

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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The current year additions represent the following:

- Purchase of maintenance building
- Purchase of 3 rental property at Towne Street, SR 552 and Circleview Drive
- Various capital improvement at Emmitt Station
- Purchase of Vehicle

Debt Outstanding

As of year-end, the Authority has \$2,755,910 in debt (mortgages) outstanding compared to \$2,001,042 last year. The \$754,868 increase was the financing of the Emmitt Station capital improvements and the purchase of the maintenance building and the additional rental properties identified above.

TABLE 6

CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance - December 31, 2005	\$ 2,001,042
Current Year Loan Proceeds	812,289
Current Year Principal Payments	(72,232)
Prior Period Adjustment	<u>14,811</u>
Ending Balance - December 31, 2006	\$ <u><u>2,755,910</u></u>

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

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

UNAUDITED

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, 2006

ASSETS

Current assets

Cash and cash equivalents	\$479,682
Investments	716,554
Receivables, net	1,554
Inventories, net	6,767
Prepaid expenses and other assets	33,445
Total current assets	<u>1,238,002</u>

Noncurrent assets

Capital assets:	
Land	906,296
Building and equipment	9,077,333
Construction in Progress	322,422
Less accumulated depreciation	<u>(3,708,193)</u>
Total noncurrent assets	<u>6,597,858</u>
Total assets	<u><u>\$7,835,860</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$20,519
Accrued liabilities	53,202
Intergovernmental payables	6,383
Tenant security deposits	30,541
Bonds, notes, and loans payable current	89,979
Total current liabilities	<u>200,624</u>

Noncurrent liabilities

Bonds, notes, and loans payable non-current	2,665,931
Accrued compensated absences non-current	21,707
Noncurrent liabilities - other	30,995
Total noncurrent liabilities	<u>2,718,633</u>
Total liabilities	<u><u>\$2,919,257</u></u>

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, 2006**

NET ASSETS

Invested in capital assets, net of related debt	\$3,841,948
Unrestricted net assets	1,074,655
Total net assets	<u><u>\$4,916,603</u></u>

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, 2006

OPERATING REVENUES

Tenant Revenue	\$368,902
Government operating grants	2,458,486
Other revenue	218,601
Total operating revenues	<u>3,045,989</u>

OPERATING EXPENSES

Administrative	503,333
Tenant services	909
Utilities	95,011
Maintenance	411,924
General	54,461
Housing assistance payment	1,779,834
Depreciation	323,514
Total operating expenses	<u>3,168,986</u>
Operating income (loss)	<u>(122,997)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	27,015
Interest expense	(101,516)
Total nonoperating revenues (expenses)	<u>(74,501)</u>
Income (loss) before contributions and transfers	(197,498)

Capital grants	723,382
Casualty Losses - Non-Capitalized	(70,691)
Change in net assets	455,193
Total net assets - beginning	4,443,916
Prior Period Adjustment	17,494
Total net assets - ending	<u><u>\$4,916,603</u></u>

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, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$2,438,993
Tenant revenue received	367,817
Other revenue received	218,601
General and administrative expenses paid	(1,073,963)
Housing assistance payments	<u>(1,779,834)</u>
Net cash provided (used) by operating activities	<u>171,614</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	27,015
Transfer (to)/from Investments	<u>(35,566)</u>
Net cash provided (used) by investing activities	<u>(8,551)</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Loan proceeds received	812,289
Capital grant funds received	723,382
Debt principal payment	(72,232)
Interest paid on debt	(101,516)
Property and equipment purchased	<u>(1,437,169)</u>
Net cash provided (used) by capital and related activities	<u>(75,246)</u>
Net increase (decrease) in cash	87,817
Cash and cash equivalents - Beginning of year	<u>391,865</u>
Cash and cash equivalents - End of year	<u><u>\$479,682</u></u>

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, 2006**

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

Net Operating Income (Loss)	(\$122,997)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	323,514
- (Increases) Decreases in Accounts Receivable	19,409
- (Increases) Decreases in Prepaid Assets	(28,072)
- (Increases) Decreases in Inventory	(11)
- Increases (Decreases) in Accounts Payable	7,062
- Increases (Decreases) in Accounts Payable - Intergovernmental	(19,493)
- Increases (Decreases) in Accounts Payable - PILOT	
- Increases (Decreases) in Accrued Expenses Payable	107
- Increases (Decreases) in Deferred Revenue	(7,482)
- Increases (Decreases) in Other Current Liabilities	(39,594)
- Increases (Decreases) in Other Noncurrent Liabilities	30,995
- Increases (Decreases) in Accrued Compensated Absences	7,520
- Increases (Decreases) in Tenant Security Deposits	656
	656
Net cash provided by operating activities	\$171,614

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, 2006

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, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

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

Fund Accounting

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

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

Proprietary Fund Types

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

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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

Description of programs

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

A. **Public Housing Program**

The Public Housing Program is designed to provide low-cost housing within the 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.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2006 totaled \$27,015.

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.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

Budgetary Accounting

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

Accounting and Reporting for Non-exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. Non-exchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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:

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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 \$479,682 at December 31, 2006. The corresponding bank balance was \$514,222. Of the bank balance, \$155,093 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, 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.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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 \$716,554 at December 31, 2006, with the same corresponding bank balance. The investments are held in certificate of deposits and high yielding savings accounts.

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, 2006 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 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.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5: CAPITAL ASSETS

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

	Balance 12/31/05	Adjust.	Additions	Deletion	Balance 12/31/06
Capital Assets Not Depreciated:					
Land	\$856,296	\$0	\$50,000	\$0	\$906,296
Construct. in Progress	99,040	0	223,382	0	322,422
Total Capital Assets Not Depreciated	955,336	0	273,382	0	1,228,718
Capital Assets Being Depreciated:					
Buildings	7,590,717	0	469,053	(81,000)	7,978,770
Furnt, Mach. & Equip.	395,129	0	20,337	0	415,466
Leasehold Improv.	8,700	0	674,397	0	683,097
Total Capital Assets Being Depreciated	7,994,546	0	1,163,787	(81,000)	9,077,333
Accumulated Depreciation:					
Buildings	(3,173,858)	9,043	(312,453)	10,309	(3,466,959)
Furnt, Mach. & Equip.	(228,972)	0	(10,481)	0	(239,453)
Leasehold Improv.	(1,201)	0	(580)	0	(1,781)
Total Accumulated Depreciation	(3,404,031)	9,043	(323,514)	10,309	(3,708,193)
Total Capital Assets Depreciated, Net	4,590,515	9,043	840,273	(70,691)	5,369,140
Total Capital Assets, Net	\$5,545,851	\$9,043	\$1,113,655	(\$70,691)	\$6,597,858

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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.

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 9.0 percent of their annual covered salary to fund pension obligations. The 2006 employer pension contribution rate for Authority was 13.7 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2006, 2005, and 2004 amounted to \$50,645, \$52,828 and \$49,204 respectively. Ninety-Two percent has been contributed for 2006. All required contributions for the two previous years have been paid.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 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 \$14,787. 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, 2005. 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 2005 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 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 369,214. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006 and in 2007 will allow additional funds to be allocated to the health care plan.

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	12/31/06 Balance
FIRST NATIONAL BANK:					
- Loan No. 7661	\$12,200	1995-2010	7.75%	15 Yrs	\$4,638
- Loan No. 8245	\$50,200	1997-2012	7.50%	15 Yrs	13,503
FIFTH THIRD BANK:					
- Loan No. 00042	\$127,000	2001-2016	6.63%	15 Yrs	94,751
- Loan No. 00026	\$85,000	2001-2013	6.63%	12 Yrs	50,810
- Loan No. 00067	\$120,000	2002-2022	5.45%	15 Yrs	104,029
- Loan No. 00075	\$168,000	2003-2018	4.89%	10 Yrs	140,502
- Loan No. 00083	\$163,000	2004-2034	4.44%	10 Yrs	154,907
- Loan No. 00117	\$413,689	2006-2026	5.21%	20 Yrs	413,689
OHIO VALLEY BANK:					
- 412 Market Street	\$41,140	2005-2024	6.25%	20 Yrs	35,982
- 236 St Mary	\$55,099	2005-2025	7.40%	20 Yrs	53,179
US DEPARTMENT OF AGRICULTURE:					
- Emmitt Station	\$1,146,858	2005-2055	5.375%	50 Yrs	1,141,393
- Emmitt Station	\$350,000	2006-2055	5.375%	50 Yrs	350,000

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 8: LONG TERM DEBT (Continued)

COUNTY MR/DD:

- 212 St. Anns Lane	\$8,280	1993-2008	0.00%	15 Yrs	2,760
- 77 Circleview Dr.	\$8,280	1992-2007	0.00%	15 Yrs	489
- 337 Arlington Ave.	\$18,933	1995-2010	0.00%	15 Yrs	9,466
- 221 St Anns Lane	\$19,667	1995-2010	0.00%	15 Yrs	11,800
- 212 Grandview	\$42,792	2000-2015	0.00%	15 Yrs	29,652
- 107 Commercial Blvd.	\$42,000	2001-2016	0.00%	15 Yrs	30,000
-102 Sunrise	\$45,000	2002-2017	0.00%	15 Yrs	33,000
-599 Walnut	\$45,000	2002-2017	0.00%	15 Yrs	33,000
-412 Market Street	\$48,600	2006-2020	0.00%	15 Yrs	48,360
TOTAL DEBT					<u>2,755,910</u>
LESS: CURRENT PORTION					<u>(89,979)</u>
TOTAL LONG TERM DEBT					<u>\$2,665,931</u>

<u>Description</u>	<u>Balance</u> <u>01/01/06</u>	<u>Issued</u>	<u>Adjust.</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/06</u>
Mortgage Loans	\$2,001,042	\$812,289	\$14,811	(\$72,232)	\$2,755,910

The annual debt maturities as of December 31, 2006 are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2007	89,979	86,506
2008	93,152	83,334
2009	95,152	79,953
2010	98,593	76,391
2011	98,684	72,676
2012-2016	619,688	285,074
2017-2021	323,575	202,811
2022-2026	281,252	140,006
2027-2031	135,293	111,593
2032-2036	148,153	98,733
2037-2041	163,494	83,392
2042-2046	182,005	64,881
2047-2051	204,581	42,305
2052-2056	222,309	14,698
Total	<u>\$2,755,910</u>	<u>\$1,442,353</u>

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 10: PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$17,494 represents the following:

- | | |
|--|----------|
| - Adjustment to properly state accumulated depreciation and debt balance | \$10,012 |
| - Adjustment in the HCV Program to eliminate a deferred grant revenue | \$7,482 |

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$155,259	\$15,450	\$131,014	\$0	\$8,484	\$310,207
113	Cash - Other Restricted	\$111,407	\$0	\$30,995	\$0	\$0	\$142,402
114	Cash - Tenant Security Deposits	\$11,995	\$15,078	\$0	\$0	\$0	\$27,073
100	Total Cash	\$278,661	\$30,528	\$162,009	\$0	\$8,484	\$479,682
126	Accounts Receivable - Tenants - Dwelling Rents	\$2,705	\$4,349	\$0	\$0	\$0	\$7,054
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$1,500)	(\$4,000)	\$0	\$0	\$0	(\$5,500)
120	Total Receivables, net of allowances for doubtful accounts	\$1,205	\$349	\$0	\$0	\$0	\$1,554
131	Investments - Unrestricted	\$422,225	\$177,972	\$116,357	\$0	\$0	\$716,554
142	Prepaid Expenses and Other Assets	\$13,043	\$19,734	\$0	\$0	\$668	\$33,445
143	Inventories	\$0	\$6,777	\$0	\$0	\$0	\$6,777
143.1	Allowance for Obsolete Inventories	\$0	(\$10)	\$0	\$0	\$0	(\$10)
144	Interprogram Due From	\$0	\$0	\$29,468	\$0	\$0	\$29,468
150	Total Current Assets	\$715,134	\$235,350	\$307,834	\$0	\$9,152	\$1,267,470
161	Land	\$253,573	\$615,223	\$0	\$0	\$37,500	\$906,296
162	Buildings	\$2,697,453	\$5,001,777	\$0	\$0	\$279,540	\$7,978,770
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$162,381	\$0	\$0	\$0	\$162,381
164	Furniture, Equipment & Machinery - Administration	\$20,692	\$170,992	\$61,401	\$0	\$0	\$253,085
165	Leasehold Improvements	\$674,397	\$0	\$0	\$0	\$8,700	\$683,097
166	Accumulated Depreciation	(\$410,825)	(\$3,223,515)	(\$46,659)	\$0	(\$27,194)	(\$3,708,193)
167	Construction In Progress	\$0	\$0	\$0	\$322,422	\$0	\$322,422
160	Total Fixed Assets, Net of Accumulated Depreciation	\$3,235,290	\$2,726,858	\$14,742	\$322,422	\$298,546	\$6,597,858

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
190	Total Assets	\$3,950,424	\$2,962,208	\$322,576	\$322,422	\$307,698	\$7,865,328
312	Accounts Payable <= 90 Days	\$8,245	\$9,596	\$2,263	\$0	\$415	\$20,519
321	Accrued Wage/Payroll Taxes Payable	\$0	\$11,930	\$4,862	\$0	\$0	\$16,792
322	Accrued Compensated Absences - Current Portion	\$0	\$28,226	\$8,184	\$0	\$0	\$36,410
333	Accounts Payable - Other Government	\$0	\$6,383	\$0	\$0	\$0	\$6,383
341	Tenant Security Deposits	\$14,913	\$15,078	\$0	\$0	\$550	\$30,541
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$86,955	\$0	\$0	\$0	\$3,024	\$89,979
347	Interprogram Due To	\$0	\$29,468	\$0	\$0	\$0	\$29,468
310	Total Current Liabilities	\$110,113	\$100,681	\$15,309	\$0	\$3,989	\$230,092
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$2,514,131	\$0	\$0	\$0	\$151,800	\$2,665,931
354	Accrued Compensated Absences - Non Current	\$0	\$13,998	\$7,709	\$0	\$0	\$21,707
353	Noncurrent Liabilities - Other	\$0	\$0	\$30,995	\$0	\$0	\$30,995
350	Total Noncurrent Liabilities	\$2,514,131	\$13,998	\$38,704	\$0	\$151,800	\$2,718,633
300	Total Liabilities	\$2,624,244	\$114,679	\$54,013	\$0	\$155,789	\$2,948,725
508.1	Invested in Capital Assets, Net of Related Debt	\$634,204	\$2,726,858	\$14,742	\$322,422	\$143,722	\$3,841,948
512.1	Unrestricted Net Assets	\$691,976	\$120,671	\$253,821	\$0	\$8,187	\$1,074,655
513	Total Equity/Net Assets	\$1,326,180	\$2,847,529	\$268,563	\$322,422	\$151,909	\$4,916,603
600	Total Liabilities and Equity/Net Assets	\$3,950,424	\$2,962,208	\$322,576	\$322,422	\$307,698	\$7,865,328

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$228,509	\$107,323	\$0	\$0	\$23,050	\$358,882
704	Tenant Revenue - Other	\$873	\$9,147	\$0	\$0	\$0	\$10,020
705	Total Tenant Revenue	\$229,382	\$116,470	\$0	\$0	\$23,050	\$368,902
706	HUD PHA Operating Grants	\$0	\$270,304	\$2,076,188	\$50,069	\$0	\$2,396,561
706.1	Capital Grants	\$500,000	\$0	\$0	\$223,382	\$0	\$723,382
708	Other Government Grants	\$61,925	\$0	\$0	\$0	\$0	\$61,925
711	Investment Income - Unrestricted	\$13,511	\$7,375	\$4,053	\$0	\$0	\$24,939
715	Other Revenue	\$217,752	\$822	\$27	\$0	\$0	\$218,601
720	Investment Income - Restricted	\$2,076	\$0	\$0	\$0	\$0	\$2,076
700	Total Revenue	\$1,024,646	\$394,971	\$2,080,268	\$273,451	\$23,050	\$3,796,386
911	Administrative Salaries	\$11,168	\$98,250	\$153,192	\$10,000	\$134	\$272,744
912	Auditing Fees	\$3,300	\$2,500	\$2,500	\$0	\$0	\$8,300
913	Outside Management Fee	\$13,282	\$0	\$0	\$0	\$0	\$13,282
914	Compensated Absences	\$0	\$5,801	\$1,720	\$0	\$0	\$7,521
915	Employee Benefit Contributions - Administrative	\$1,699	\$56,245	\$42,613	\$0	\$22	\$100,579
916	Other Operating - Administrative	\$24,039	\$22,726	\$43,364	\$10,069	\$709	\$100,907
924	Tenant Services - Other	\$0	\$909	\$0	\$0	\$0	\$909
931	Water	\$24,819	\$33,909	\$0	\$0	\$1,870	\$60,598
932	Electricity	\$19,961	\$7,686	\$802	\$0	\$60	\$28,509
933	Gas	\$3,530	\$1,896	\$478	\$0	\$0	\$5,904
941	Ordinary Maintenance and Operations - Labor	\$27,656	\$62,662	\$0	\$30,000	\$4,137	\$124,455

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
942	Ordinary Maintenance and Operations - Materials and Other	\$176,254	\$27,368	\$0	\$0	\$1,592	\$205,214
943	Ordinary Maintenance and Operations - Contract Costs	\$11,027	\$24,417	\$0	\$0	\$909	\$36,353
945	Employee Benefit Contributions - Ordinary Maintenance	\$12,402	\$31,631	\$0	\$0	\$1,869	\$45,902
961	Insurance Premiums	\$8,824	\$14,771	\$1,218	\$0	\$593	\$25,406
963	Payments in Lieu of Taxes	\$10,135	\$6,383	\$0	\$0	\$0	\$16,518
964	Bad Debt - Tenant Rents	\$1,500	\$11,037	\$0	\$0	\$0	\$12,537
967	Interest Expense	\$94,472	\$0	\$0	\$0	\$7,044	\$101,516
969	Total Operating Expenses	\$444,068	\$408,191	\$245,887	\$50,069	\$18,939	\$1,167,154
970	Excess Operating Revenue over Operating Expenses	\$580,578	(\$13,220)	\$1,834,381	\$223,382	\$4,111	\$2,629,232
972	Casualty Losses - Non-Capitalized	\$70,691	\$0	\$0	\$0	\$0	\$70,691
973	Housing Assistance Payments	\$0	\$0	\$1,779,834	\$0	\$0	\$1,779,834
974	Depreciation Expense	\$100,900	\$205,127	\$6,740	\$0	\$10,747	\$323,514
900	Total Expenses	\$615,659	\$613,318	\$2,032,461	\$50,069	\$29,686	\$3,341,193
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$408,987	(\$218,347)	\$47,807	\$223,382	(\$6,636)	\$455,193
1103	Beginning Equity	\$907,181	\$3,065,876	\$213,274	\$99,040	\$158,545	\$4,443,916
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$10,012	\$0	\$7,482	\$0	\$0	\$17,494
	Ending Equity	\$1,326,180	\$2,847,529	\$268,563	\$322,422	\$151,909	\$4,916,603

Pike Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2006

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$51,534	\$0	\$0	\$51,534
1116	Total Annual Contributions Available	\$0	\$0	\$51,534	\$0	\$0	\$51,534
1120	Unit Months Available	816	1,164	6,300	0	48	8,328
1121	Number of Unit Months Leased	794	1,145	5,814	0	46	7,799
1117	Administrative Fee Equity	\$0	\$0	\$217,029	\$0	\$0	\$217,029
1118	Housing Assistance Payments Equity	\$0	\$0	\$51,534	\$0	\$0	\$51,534

Pike Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended December 31, 2006

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	\$270,304
Housing Choice Vouchers	14.871	2,076,188
Public Housing Capital Fund Program	14.872	<u>273,451</u>
Total U.S. Department of Housing and Urban Development		<u>2,619,943</u>
U.S. Department of Agriculture - Rural Housing Service Direct Program		
Rural Rental Housing Loan	10.415	<u>61,925</u>
Total U.S. Department of Agriculture		<u>61,925</u>
Total Expenditure of Federal Award		<u>\$2,681,868</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 of the Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the Pike Metropolitan Housing Authority basic financial statements and have issued my report thereon dated August 10, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority's internal control.

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

Compliance and Other Matters

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

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.

August 10, 2007



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

Board of Directors
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, 2006. 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, 2006.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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.

August 10, 2007

Pike Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2006

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
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There are no Findings or questioned costs for the year ended December 31, 2006.

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended December 31, 2006.

Pike Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2006

The audit report for the fiscal year ending December 31, 2005 contained no audit finding.



Mary Taylor, CPA
Auditor of State

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 8, 2007**