

PIKE METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pike Metropolitan Housing Authority, Pike County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2007 through December 31, 2007. 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

July 1, 2008

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**PIKE METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2007**

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pike Metropolitan Housing Authority
Piketon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Pike Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pike Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

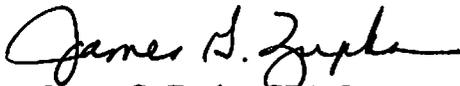
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Pike Metropolitan Housing Authority, as of December 31, 2007, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 4, 2008, on our consideration of the Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting and our 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 our 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 important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pike Metropolitan Housing Authority, Ohio's basic financial statements. The supplementary Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements of the Pike Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is also not a required part of the basic financial statements of the Pike Metropolitan Housing Authority, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 4, 2008

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

This Management's Discussion and Analysis (MD&A) for the Pike Metropolitan Housing Authority (Pike MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Pike Metropolitan Housing Authority's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2007, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Financial Highlights

- The Authority's net assets decreased by \$153,000, or 3 percent, during 2007, resulting from changes in operations. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net assets.
- Revenues decreased by \$585,000 or 15 percent during 2007, primarily due to reductions in Capital Grants.
- The total expenses of all Authority programs increased by \$23,000, or 1 percent.

Overview of the Authority's Financial Statements

The Basic Financial Statements included elsewhere in this report are:

The Statement of Net Assets,
The Statement of Revenues, Expenses and Changes in Fund Balance, and
The Statement of Cash Flows.

The **Statement of Net Assets** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Pike Metropolitan Housing Authority holds at December 31, 2007, that is, the cash Pike Metropolitan Housing Authority has, the amounts that are owed Pike Metropolitan Housing Authority from others, and the value of the equipment Pike Metropolitan Housing Authority owns. In the other half of the report it shows the liabilities Pike Metropolitan Housing Authority has, that is what Pike Metropolitan owes others at December 31, 2007; and what Net Assets (or what is commonly referred to as Equity) Pike Metropolitan Housing Authority has at December 31, 2007. The two parts of the report are in balance, thus why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part.

In the statement, the Net Assets part is broken out into three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt,
Restricted Net Assets, and
Unrestricted Net Assets.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

The balance in Net Assets, Invested in Capital Assets, Net of Related Debt reflects the value of capital assets, that is assets such as land, buildings, and equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owned on those assets.

The balance in Restricted Net Assets reflects the value of assets reported in the top part of the statement that are restricted for use by law or regulation, or when use of those assets is restricted by constraints placed on the assets by creditors.

The balance in Unrestricted Net Assets is what is left over of Net Assets after what is classified in the two previously mentioned components of Net Assets. It reflects the value of assets available to Pike Metropolitan Housing to use to further its purposes.

The Authority's financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets, which is similar to an Income Statement. It is in essence a report showing what Pike Metropolitan Housing Authority earned, that is what its revenues or incomes were, versus what expenses Pike Metropolitan Housing Authority had over the same period. It shows how the Fund Balance (or net assets or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Pike Metropolitan Housing Authority had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected the Fund Balance (or net assets or equity). The bottom line of the report, the Ending Total Net Assets, is what is referred to in the above discussion of the Statement of Net Assets that when added to the liabilities Pike Metropolitan Housing Authority has equals the total assets Pike Metropolitan Housing Authority has.

The Statement of Cash Flows is a report that shows how the amount of cash Pike Metropolitan Housing had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in, and the cash going out. It helps the reader to understand the sources and uses of cash by Pike Metropolitan Housing Authority during the year, to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

Pike Metropolitan Housing Authority's Business-Type Funds

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all the programs, or business -type funds of Pike Metropolitan Housing Authority. Pike Metropolitan Housing Authority consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Pike Metropolitan Housing Authority's programs include the following:

- The Low Rent Public Housing program,
- The Housing Choice Voucher program,
- The Capital Fund Program (CFP),
- The Business Activities, and
- The State and Local Program.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

Under the Low Rent Public Housing program, Pike Metropolitan Housing Authority rents dwelling units it owns to low to moderate-income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with HUD, HUD provides an operating subsidy to Pike Metropolitan Housing Authority to help support the operations of the program. In addition, HUD provides funds for physical improvements to Pike Metropolitan Housing Authority's properties and funds for management improvements through Capital Fund Program grants.

Under the Section 8 Housing Choice Voucher program, Pike Metropolitan Housing Authority subsidizes the rents of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

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

Under the State and Local program, the state and local funds represent Pike Metropolitan Authority's contracts with the Ohio Housing Finance Agency for construction of four residential housing facilities located at 193, 195, 197 and 199 Delay Drive.

Condensed Financial Statements

The following is a condensed **Statement of Net Assets** compared to the prior year-end. Pike Metropolitan Housing Authority is engaged only in business-type activities.

**Table 1 - Condensed Statement of Net Assets Compared to Prior Year
(Values Rounded to Nearest Thousand)**

	2007	2006
<u>Assets</u>		
Current and Other Assets	\$ 1,164,000	\$ 1,238,000
Capital Assets	<u>6,501,000</u>	<u>6,598,000</u>
Total Assets	<u>\$ 7,665,000</u>	<u>\$ 7,836,000</u>
<u>Liabilities</u>		
Current Liabilities	\$ 230,000	\$ 200,000
Long-term Liabilities	<u>2,672,000</u>	<u>2,719,000</u>
Total Liabilities	<u>2,902,000</u>	<u>2,919,000</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	3,810,000	3,842,000
Restricted Net Assets	151,000	0
Unrestricted Net Assets	<u>802,000</u>	<u>1,075,000</u>
Total Net Assets	<u>4,763,000</u>	<u>4,917,000</u>
Total Liabilities and Net Assets	<u>\$ 7,665,000</u>	<u>\$ 7,836,000</u>

For more detail information, see Statement of Net Assets presented on page 10.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

Total Net Assets were reduced from the prior year-end by \$154,000. The changes in income and expense from the period causing that change is discussed more in the next section where we discuss Table 2, the Modified Statement of Revenues, Expenses and Changes in Net Assets.

The change in Current Assets from the prior year-end is a reduction of 6 percent. There was \$132,000 taken from investments to replace a MRDD unit that burnt in 2005. As is discussed in the next section, a main factor causing that reduction in cash is the effort made by the agency in the current period to fully spend all funding provided by HUD for making rental assistance payments to landlords participating in the Section 8 Housing Choice Voucher program.

Capital Assets were reduced in the period by 1 percent, a reflection that depreciation on assets held by Pike Metropolitan Housing Authority outpaced additions to capital assets in the period.

The 15 percent increase in Current Liabilities from the prior year reflects that the agency owes more for accounts payable and real estate taxes for the year ending December 31, 2007.

Of the components of Net Assets, the change in Invested in Capital Assets, Net of Related Debt closely corresponds to the change in Capital Assets because that is what that component of Net Assets represents. The change in Restricted Net Assets reflects a change by HUD in that HUD now wants unspent funding provided to make rental assistance payments under the Section 8 Housing Choice Voucher Program as Restricted Net Assets. The change in Unrestricted Net Assets reflects that change in Restricted Net Assets and the overall reduction in Net Assets discussed in the following section.

The following is a modified **Statement of Revenues, Expenses and Changes in Net Assets**. Pike Metropolitan Housing Authority is engaged only in business-type activities.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

**Table 2 - Modified Statement of Revenues, Expenses, and Changes in Net Assets
(Values Rounded to Nearest Thousand)**

	2007	2006
Revenues		
Total Tenant Revenues - Rents and Other	\$ 364,000	\$ 369,000
Operating Subsidies and Grants	2,590,000	2,458,000
Capital Grants	133,000	723,000
Investment Income	43,000	27,000
Other Revenues	81,000	219,000
Total Revenues	3,211,000	3,796,000
Expenses		
Administrative	549,000	503,000
Tenant Services	2,000	1,000
Utilities	104,000	95,000
Maintenance	285,000	412,000
General Expenses	211,000	156,000
Housing Assistance Payments	1,841,000	1,780,000
Casualty Losses - Non-Capitalized	0	71,000
Depreciation	372,000	323,000
Total Expenses	3,364,000	3,341,000
Net Increases (Decreases)	\$ (153,000)	\$ 455,000

For more detailed information see Combined Statement of Revenues, Expenses and Changes in Net Assets presented elsewhere in this report.

Total expenses increased by \$23,000 (1 percent), the overall decrease in Net Assets is \$153,000. The drop in revenue from the prior period of \$585,000 (14 percent) was partly due to Emmitt Station renovations being complete in 2006 when the \$500,000 grant money was received. Tenant revenue dropped 1 percent. Declining economic times mean tenant families, on average, pay lower rents in programs in which rent is based on family income. Plus, since tenant rents are based on a formula that specifies that tenant families should pay 30 percent of family income for rent plus the cost of utilities, increasing utility rates over the past couple of years also contribute to tenant families paying lower rents.

Operating Grants increased by 5 percent. Capital Grants revenue dropped by 82 percent. The drop in capital grants was mostly due to renovations at Emmitt Station which were completed in 2006 in which grant money was received from Rural Development.

Expenses increased in 2007 by \$23,000 (1 percent). This was partly due to an increase in utility costs and HAP dollars being paid out.

The following is a condensed **Statement of Changes in Capital Assets** comparing the balance in capital assets at the year-end versus at the end of the prior year.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

**Table 3 - Condensed Statement of Changes in Capital Assets
(Values Rounded to Nearest Thousand)**

	2007	2006
Land	\$ 906,000	\$ 906,000
Buildings and Improvements	8,793,000	8,662,000
Equipment	426,000	416,000
Accumulated Depreciation	(4,080,000)	(3,708,000)
Construction in Progress	456,000	322,000
Total Revenues	<u>\$ 6,501,000</u>	<u>\$ 6,598,000</u>

Buildings and improvements increased by \$131,000. Most of this increase was due to a house being replaced in 2007. The increase in accumulated depreciation from year-end 2006 to 2007 (\$372,000) outpaced the increase in capital accounts for buildings and improvements, equipment and construction in progress leading to a net reduction in Capital Assets of \$97,000. The increased in Construction in Progress was caused primarily by more Capital Fund Grants being used for improvements on the properties.

The following is a **comparison of debt outstanding** at the year-end versus at the end of the prior period.

**Table 4 - Condensed Statement of Changes in Debt Outstanding
(Values Rounded to Nearest Thousand)**

	2007	2006
Current Portion of Debt	\$ 85,000	\$ 90,000
Long-Term Portion of Debt	2,606,000	2,666,000
Total	<u>\$ 2,691,000</u>	<u>\$ 2,756,000</u>

Debt was reduced by \$65,000 during year-end 2007. That is the result of regular payments on loans for rental property owned by Pike Metropolitan Housing Authority.

Economic Factors

Pike Metropolitan Housing Authority faces the continuing prospect of declining HUD subsidies used to administer their programs and maintain their properties. Unfavorable economic times, as reflected in the numbers of families earning less in addition to those leaving the community because they cannot find adequate employment opportunities, also mean revenues from tenants are reduced because generally rents are based on the tenant families' ability to pay as dictated by the Federal government. Rising insurance, utility and other operating rates compound the effect of the reduction in incomes available to Pike Metropolitan Housing Authority to administer its program, and continue to challenge management to cut operating costs. The reduction in government assistance for the administration of programs and ongoing operating cuts by management means Pike Metropolitan Housing Authority can provide lesser services to clients.

**PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007
(Unaudited)**

Financial Contact

Questions concerning this report or requests for additional information should be directed by Gary B. Roberts, Executive Director of the Pike Metropolitan Housing Authority, 2626 Shyville Road, Piketon, Ohio 45661.

PIKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,098,373
Receivables, Net	9,987
Inventory	9,316
Prepaid Expenses	<u>46,551</u>
Total Current Assets	<u>1,164,227</u>

Noncurrent Assets

Non-depreciable Capital Assets	1,361,727
Depreciable Capital Assets, Net	<u>5,138,930</u>
Total Noncurrent Assets	<u>6,500,657</u>

TOTAL ASSETS	<u>\$ 7,664,884</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 26,034
Accrued Compensated Absences - Current	36,948
Tenant Security Deposits	31,393
Accrued Wages and Payroll Taxes	17,859
Intergovernmental Payable	33,110
Current Portion of Long-Term Debt	<u>84,859</u>
Total Current Liabilities	<u>230,203</u>

Noncurrent Liabilities

Noncurrent Liabilities - Other	42,547
Accrued Compensated Absences - Net of Current Portion	23,536
Long-Term Debt - Net of Current Portion	<u>2,605,622</u>
Total Noncurrent Liabilities	<u>2,671,705</u>
Total Liabilities	<u>2,901,908</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	3,810,176
Unrestricted Net Assets	802,048
Restricted Net Assets	<u>150,752</u>
Total Net Assets	<u>4,762,976</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,664,884</u>
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See accompanying notes to the basic financial statements.

PIKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Operating Revenues</u>	
Government Grants	\$ 2,589,742
Tenant Revenue	363,590
Other Revenue	<u>81,434</u>
Total Operating Revenues	<u>3,034,766</u>
<u>Operating Expenses</u>	
Administrative	548,919
Utilities	104,305
Maintenance	284,718
Tenant Services	2,464
General	117,527
Housing Assistance Payments	<u>1,841,204</u>
Total Operating Expenses Before Depreciation	<u>2,899,137</u>
Income (Loss) Before Depreciation	135,629
Depreciation	<u>371,813</u>
Operating Income (Loss)	<u>(236,184)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	42,587
Interest Expense	<u>(93,039)</u>
Total Non-Operating Revenues (Expenses)	<u>(50,452)</u>
Income (Loss) Before Capital Grants	(286,636)
Capital Grants	<u>133,009</u>
Change in Net Assets	<u>(153,627)</u>
Total Net Assets, Beginning of Year	<u>4,916,603</u>
Net Assets, End of Year	<u><u>\$ 4,762,976</u></u>

See accompanying notes to the basic financial statements.

PIKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 2,581,492
Cash Received From Tenants	363,407
Cash Payments for Housing Assistance	(1,841,204)
Cash Payments for Administrative Expenses	(546,552)
Cash Payments for Other Operating Expenses	(479,808)
Cash Received - Other	<u>82,286</u>
Net Cash (Provided) by Operating Activities	<u>159,621</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(274,612)
Capital Grants Received	133,009
Debt Payments	<u>(65,429)</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(207,032)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	42,587
Interest Expense	<u>(93,039)</u>
Net Cash Provided by Investing Activities	<u>(50,452)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(97,863)
 Cash and Cash Equivalents, Beginning	 <u>1,196,236</u>
 Cash and Cash Equivalents, Ending	 <u>\$ 1,098,373</u>
 <u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (236,184)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	371,813
(Increase) Decrease in:	
Accounts Receivable - Tenant	(183)
Accounts Receivable - HUD	(8,250)
Prepaid Expenses	(13,106)
Inventory	(2,549)
Increase (Decrease) in:	
Accounts Payable	5,515
Intergovernmental Payable	26,727
Accrued Compensated Absences - Current	538
Tenants' Security Deposits	852
Accrued Wages and Payroll Taxes	1,067
Non-Current Liabilities	11,552
Accrued Compensated Absences - Long-Term	<u>1,829</u>
Net Cash Used by Operating Activities	<u>\$ 159,621</u>

See accompanying notes to the basic financial statements.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Reporting Entity

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

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

Basis of Presentation

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

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

The Authority’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

Basis of Presentation (Continued)

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

Cash and Cash Equivalents

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

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

Capital Assets (Continued)

Buildings	40 years
Building Improvements	15-27.5 years
Land Improvements	15 years
Equipment	7 years
Autos	5 years
Computers	3 years

Capitalization of Interest

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

Investments

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

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 absences 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; and **(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 liability. Information regarding compensated absences is detailed in Note 6.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2007, the Authority had undeposited cash on hand, (petty cash), of \$150.

At December 31, 2007, the carrying amount of the Authority's cash deposits was \$1,098,223. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2007, deposits totaling \$158,888 were covered by Federal Depository Insurance and deposits totaling \$939,335 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2007, the Authority had no investments.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

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

Credit Risk

The credit risk of the Authority's investments are in the table below. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one insurer. The Authority's deposits in financial institutions represents 100 percent of its deposits.

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>
Carrying Amount of Deposits	\$ 1,098,223	\$ 1,098,223
Petty Cash	150	150
Totals	<u>\$ 1,098,373</u>	<u>\$ 1,098,223</u>

This space intentionally left blank.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2007 by class is as follows:

	<u>01/01/2007</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2007</u>
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 906,296	\$ 0	\$ 0	\$ 0	\$ 906,296
Construction in Progress	<u>322,422</u>	<u>0</u>	<u>133,009</u>	<u>0</u>	<u>455,431</u>
Total Capital Assets Not Being Depreciated	<u>1,228,718</u>	<u>0</u>	<u>133,009</u>	<u>0</u>	<u>1,361,727</u>
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	8,661,867	0	131,272	0	8,793,139
Furniture, Equipment, and Machinery - Dwellings	162,381	0	0	0	162,381
Furniture, Equipment, and Machinery - Administrative	<u>253,085</u>	<u>0</u>	<u>10,331</u>	<u>0</u>	<u>263,416</u>
Subtotal Capital Assets Being Depreciated	<u>9,077,333</u>	<u>0</u>	<u>141,603</u>	<u>0</u>	<u>9,218,936</u>
<u>Accumulated Depreciation</u>					
Buildings & Improvements	(3,468,740)	150,856	(287,970)	0	(3,605,854)
Furniture & Equipment	<u>(239,453)</u>	<u>(150,856)</u>	<u>(83,843)</u>	<u>0</u>	<u>(474,152)</u>
Total Accumulated Depreciation	<u>(3,708,193)</u>	<u>0</u>	<u>(371,813)</u>	<u>0</u>	<u>(4,080,006)</u>
Capital Assets Being Depreciated, Net	<u>5,369,140</u>	<u>0</u>	<u>(230,210)</u>	<u>0</u>	<u>5,138,930</u>
Total Capital Assets ,Net	<u>\$ 6,597,858</u>	<u>\$ 0</u>	<u>\$ (97,201)</u>	<u>\$ 0</u>	<u>\$ 6,500,657</u>

NOTE 4: RESTRICTED NET ASSETS

The Authority's restricted net assets are as follows:

Section 8 Housing Choice Voucher funds provided to make Housing Assistance payments.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit 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.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.85 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$53,964, \$50,645, and \$52,828, respectively. The full amount has been contributed for 2007, 2006, and 2005. The Authority had no employees participating in the Member-Directed Plan for the years ended December 31, 2007, 2006, and 2005.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer rate was 13.85 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Authority contributions for 2007 which were used to fund post-employment benefits were \$19,482. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 7: COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All permanent employees will earn 15 days sick leave per year of service. Unused sick leave may be accumulated without limit. At the time of separation, employees receive payment for up to sixty (60) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Vacation shall not be accrued for a period longer than two (2) years. Any vacation accrued in excess of two (2) years shall be forfeited.

At December 31, 2007, based on the vesting method, \$60,484 was accrued by the Authority for unused vacation and sick time. The current portion is \$36,948 and the long term portion is \$23,536.

NOTE 8: INSURANCE

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-six (36) Ohio housing authorities, of which Pike is one. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$250,000,000 (Per Occurrence)
Boiler and Machinery	1,000	50,000,000
General Liability	0	6,000,000
Automobile Liability	500/0	ACV/6,000,000
Law Enforcement	0	6,000,000
Public Officials	0	6,000,000
Crime	500	500,000

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with Aetna Health, Inc. for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 9: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

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PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 10: LONG-TERM DEBT

	Original Loan Amount	Range of Maturity Date	Interest Rate	Life of Loan	12/31/07 Balance
First National Bank:					
- Loan No. 7661	\$ 12,220	1995-2010	7.75%	15 Yrs.	\$ 3,672
- Loan No. 8245	\$ 50,200	1997-2012	7.50%	15 Yrs.	11,441
Fifth Third Bank:					
- Loan No. 00042	\$ 127,000	2001-2016	6.63%	15 Yrs.	87,911
- Loan No. 00026	\$ 85,000	2001-2012	6.63%	12 Yrs.	43,870
- Loan No. 00067	\$ 120,000	2002-2022	5.45%	20 Yrs.	100,012
- Loan No. 00075	\$ 168,000	2003-2013	4.89%	10 Yrs.	131,330
- Loan No. 00083	\$ 163,000	2004-2014	4.44%	10 Yrs.	151,882
- Loan No. 00117	\$ 413,689	2006-2016	5.21%	10 Yrs.	390,659
Ohio Valley Bank:					
- 412 Market St.	\$ 41,140	2005-2024	6.25%	20 Yrs.	37,749
- 236 St. Mary's	\$ 55,009	2005-2025	7.25%	20 Yrs.	51,773
US Department of Agriculture:					
- Emmitt Station	\$ 1,146,858	2005-2036	5.375%	30 Yrs.	1,136,422
- Emmitt Station	\$ 350,000	2006-2036	5.375%	30 Yrs.	349,583
County MR/DD:					
- 212 St. Ann's Lane	\$ 29,550	1997-2012	0.00%	15 Yrs.	8,701
- 212 St. Ann's Lane	\$ 2,388	2003-2018	0.00%	15 Yrs.	1,725
- 209 Birch Street	\$ 4,219	2004-2019	0.00%	15 Yrs.	3,305
- 209 Birch Street	\$ 8,898	1995-2010	0.00%	15 Yrs.	1,730
- 209 Birch Street	\$ 3,800	2001-2016	0.00%	15 Yrs.	2,132
- 337 Arlington	\$ 40,160	1995-2010	0.00%	15 Yrs.	7,363
- 337 Arlington	\$ 3,580	2000-2015	0.00%	15 Yrs.	1,691
- 337 Arlington	\$ 6,300	2001-2016	0.00%	15 Yrs.	3,535
- 221 Ann's Lane	\$ 20,700	1993-2008	0.00%	15 Yrs.	805
- 212 Grandview	\$ 49,275	2000-2015	0.00%	15 Yrs.	25,459
- 107 Commercial	\$ 45,000	2001-2016	0.00%	15 Yrs.	26,250
- 107 Commercial	\$ 3,285	2004-2019	0.00%	15 Yrs.	2,427
- 102 Sunrise	\$ 45,000	2002-2017	0.00%	15 Yrs.	27,250
- 599 Walnut	\$ 45,000	2002-2017	0.00%	15 Yrs.	28,750
- 412 Market	\$ 48,600	2005-2020	0.00%	15 Yrs.	41,040
- Daimler Chrysler Financial	\$ 15,291	2006-2011	8.00%	5 Yrs.	<u>12,014</u>
Total Debt					<u>\$ 2,690,481</u>

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 10: **LONG-TERM DEBT** (Continued)

The following is a summary of the Authority's future debt service requirements for mortgage payable as of December 31, 2007:

<u>For the Year</u> <u>Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2008	\$ 84,859	\$ 86,001	\$ 170,860
2009	87,828	82,227	170,055
2010	91,040	78,297	169,337
2011	90,283	74,191	164,474
2012	89,088	69,942	159,030
2013-2017	746,931	242,847	989,778
2018-2022	147,409	144,336	291,745
2023-2027	102,299	108,064	210,363
2028-2032	109,979	80,653	190,632
2032-2037	1,140,765	40,629	1,181,394
Totals	<u>\$ 2,690,481</u>	<u>\$ 1,007,187</u>	<u>\$ 3,697,668</u>

NOTE 11: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2007.

NOTE 12: **INTERPROGRAM RECEIVABLES/PAYABLES**

Interprogram balance at December 31, 2007, consists of the following receivables and payables:

	<u>Due From</u>	<u>Due To</u>
Business Activities	\$ 20,998	\$ 0
Low Rent Public Housing	0	20,998
Total	<u>\$ 20,998</u>	<u>\$ 20,998</u>

These interprogram Due From/Due To arise from allocation of wages and benefits, supplies, and other costs. Those loans are repaid shortly after year end. Interprogram balances were eliminated in the statement of net assets.

NOTE 13: **OPERATING TRANSFER**

The Authority had the following operating transfers in 2007:

<u>Project</u>	<u>Transfer From</u>	<u>Transfer To</u>
Capital Fund	\$ 36,856	\$ 0
Public Housing	0	36,856
Total	<u>\$ 36,856</u>	<u>\$ 36,856</u>

This transfer represents the Capital Fund Grant allocation to support operations as permitted by the Department of Housing and Urban Development guidelines.

**PIKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 259,808
Capital Fund Program	14.872	<u>186,510</u>
Total Public Housing Programs		<u>446,318</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	<u>2,214,543</u>
Total Section 8 Tenant Based Programs		<u>2,214,543</u>
Total U.S. Department of Housing and Urban Development		<u>2,660,861</u>
<u>U.S. Department of Agriculture</u>		
Rural Rental Housing Loan	10.415	<u>61,890</u>
Total U.S. Department of Agriculture		<u>61,890</u>
Total Federal Expenditures		<u>\$ 2,722,751</u>

This schedule is prepared on the accrual basis of accounting.

**PIKE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007**

Annual Contributions Contract C-5096

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

<u>Project OH</u>	<u>Capital Grant OH16PO60501-03</u>
Funds Approved	\$ 144,379
Funds Expended	<u>144,379</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 144,379
Funds Expended	<u>144,379</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

Annual Contributions Contract C-5096

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

<u>Project OH</u>	<u>Capital Grant OH16PO60502-03</u>
Funds Approved	\$ 28,773
Funds Expended	<u>28,773</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 28,773
Funds Expended	<u>28,773</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**PIKE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
	ASSETS						
111	Cash - Unrestricted	\$41,103	\$6,330	\$67,167	\$0	\$2,844	\$117,444
113	Cash - Other Restricted	\$124,596	\$0	\$42,546	\$0	\$0	\$167,142
114	Cash - Tenant Security Deposits	\$12,271	\$15,635	\$0	\$0	\$0	\$27,906
100	Total Cash	\$177,970	\$21,965	\$109,713	\$0	\$2,844	\$312,492
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$8,250	\$0	\$0	\$8,250
126	Accounts Receivable - Tenants - Dwelling Rents	\$2,300	\$4,718	\$0	\$0	\$219	\$7,237
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$1,500)	(\$4,000)	\$0	\$0	\$0	(\$5,500)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$800	\$718	\$8,250	\$0	\$219	\$9,987
131	Investments - Unrestricted	\$336,038	\$167,540	\$124,051	\$0	\$7,500	\$635,129
132	Investments Restricted	\$0	\$0	\$150,752	\$0	\$0	\$150,752
142	Prepaid Expenses and Other Assets	\$19,535	\$23,789	\$2,313	\$0	\$914	\$46,551
143	Inventories	\$0	\$9,326	\$0	\$0	\$0	\$9,326
143.1	Allowance for Obsolete Inventories	\$0	(\$10)	\$0	\$0	\$0	(\$10)
144	Interprogram Due From	\$20,998	\$0	\$0	\$0	\$0	\$20,998
150	Total Current Assets	\$555,341	\$223,328	\$395,079	\$0	\$11,477	\$1,185,225
161	Land	\$253,573	\$615,223	\$0	\$0	\$37,500	\$906,296
162	Buildings	\$2,828,725	\$5,001,777	\$0	\$0	\$279,540	\$8,110,042
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$162,381	\$0	\$0	\$0	\$162,381
164	Furniture, Equipment & Machinery - Administration	\$29,192	\$170,992	\$63,232	\$0	\$0	\$263,416
165	Leasehold Improvements	\$674,397	\$0	\$0	\$0	\$8,700	\$683,097
166	Accumulated Depreciation	(\$559,664)	(\$3,427,994)	(\$54,409)	\$0	(\$37,939)	(\$4,080,006)
167	Construction In Progress	\$0	\$0	\$0	\$455,431	\$0	\$455,431
160	Total Fixed Assets, Net of Accumulated Depreciation	\$3,226,223	\$2,522,379	\$8,823	\$455,431	\$287,801	\$6,500,657
180	Total Non-Current Assets	\$3,226,223	\$2,522,379	\$8,823	\$455,431	\$287,801	\$6,500,657
190	TOTAL ASSETS	\$3,781,564	\$2,745,707	\$403,902	\$455,431	\$299,278	\$7,685,882
	LIABILITIES						
312	Accounts Payable <= 90 Days	\$10,174	\$10,420	\$4,953	\$0	\$487	\$26,034
321	Accrued Wage/Payroll Taxes Payable	\$0	\$13,497	\$4,362	\$0	\$0	\$17,859
322	Accrued Compensated Absences - Current Portion	\$0	\$28,035	\$8,913	\$0	\$0	\$36,948
333	Accounts Payable - Other Government	\$28,974	\$4,136	\$0	\$0	\$0	\$33,110
341	Tenant Security Deposits	\$14,992	\$15,635	\$0	\$0	\$766	\$31,393
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$81,698	\$0	\$0	\$0	\$3,161	\$84,859
347	Interprogram Due To	\$0	\$20,998	\$0	\$0	\$0	\$20,998
310	Total Current Liabilities	\$135,838	\$92,721	\$18,228	\$0	\$4,414	\$251,201
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$2,456,884	\$0	\$0	\$0	\$148,738	\$2,605,622
354	Accrued Compensated Absences - Non Current	\$0	\$15,050	\$8,486	\$0	\$0	\$23,536
353	Noncurrent Liabilities - Other	\$0	\$0	\$42,547	\$0	\$0	\$42,547
350	Total Noncurrent Liabilities	\$2,456,884	\$15,050	\$51,033	\$0	\$148,738	\$2,671,705
300	TOTAL LIABILITIES	\$2,592,722	\$107,771	\$69,261	\$0	\$153,152	\$2,922,906
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$687,641	\$2,522,379	\$8,823	\$455,431	\$135,902	\$3,810,176
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$150,752	\$0	\$0	\$150,752
512.1	Unrestricted Net Assets	\$501,201	\$115,557	\$175,066	\$0	\$10,224	\$802,048
513	Total Equity/Net Assets	\$1,188,842	\$2,637,936	\$334,641	\$455,431	\$146,126	\$4,762,976
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$3,781,564	\$2,745,707	\$403,902	\$455,431	\$299,278	\$7,685,882

**PIKE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM
DECEMBER 31, 2007**

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
	REVENUE						
703	Net Tenant Rental Revenue	\$241,634	\$88,691	\$0	\$0	\$24,064	\$354,389
704	Tenant Revenue - Other	\$786	\$8,415	\$0	\$0	\$0	\$9,201
705	Total Tenant Revenue	\$242,420	\$97,106	\$0	\$0	\$24,064	\$363,590
706	HUDPHA Operating Grants	\$0	\$259,808	\$2,214,543	\$53,501	\$0	\$2,527,852
706.1	Capital Grants	\$0	\$0	\$0	\$133,009	\$0	\$133,009
708	Other Government Grants	\$61,890	\$0	\$0	\$0	\$0	\$61,890
711	Investment Income - Unrestricted	\$22,578	\$11,564	\$1,696	\$0	\$0	\$35,838
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0
714	Fraud Recovery	\$1	\$1	\$367	\$0	\$0	\$369
715	Other Revenue	\$51,042	\$30,023	\$0	\$0	\$0	\$81,065
720	Investment Income - Restricted	\$0	\$0	\$6,749	\$0	\$0	\$6,749
700	TOTAL REVENUE	\$377,931	\$398,502	\$2,223,355	\$186,510	\$24,064	\$3,210,362
	EXPENSES						
911	Administrative Salaries	\$8,881	\$78,128	\$153,936	\$0	\$138	\$241,083
912	Auditing Fees	\$4,070	\$2,500	\$2,500	\$0	\$500	\$9,570
914	Compensated Absences	\$0	\$22,223	\$14,338	\$0	\$0	\$36,561
915	Employee Benefit Contributions - Administrative	\$3,797	\$59,093	\$46,823	\$0	\$23	\$109,736
916	Other Operating - Administrative	\$36,141	\$11,788	\$87,395	\$16,645	\$0	\$151,969
924	Tenant Services - Other	\$0	\$2,464	\$0	\$0	\$0	\$2,464
931	Water	\$25,927	\$34,126	\$0	\$0	\$2,055	\$62,108
932	Electricity	\$21,607	\$9,146	\$1,166	\$0	\$0	\$31,919
933	Gas	\$5,739	\$4,061	\$478	\$0	\$0	\$10,278
941	Ordinary Maintenance and Operations - Labor	\$27,739	\$92,589	\$0	\$0	\$4,137	\$124,465
942	Ordinary Maintenance and Operations - Materials and Other	\$15,505	\$27,751	\$0	\$0	\$1,046	\$44,302
943	Ordinary Maintenance and Operations - Contract Costs	\$38,680	\$23,189	\$0	\$0	\$1,296	\$63,165
945	Employee Benefit Contributions - Ordinary Maintenance	\$14,131	\$36,653	\$0	\$0	\$2,002	\$52,786
961	Insurance Premiums	\$17,032	\$25,482	\$1,687	\$0	\$989	\$45,190
963	Payments in Lieu of Taxes	\$58,284	\$4,136	\$0	\$0	\$0	\$62,420
964	Bad Debt - Tenant Rents	\$2,774	\$7,143	\$0	\$0	\$0	\$9,917
967	Interest Expense	\$86,123	\$0	\$0	\$0	\$6,916	\$93,039
969	Total Operating Expenses	\$366,430	\$440,472	\$308,323	\$16,645	\$19,102	\$1,150,972
970	Excess Operating Revenue over Operating Expenses	\$11,501	(\$41,970)	\$1,915,032	\$169,865	\$4,962	\$2,059,390
973	Housing Assistance Payments	\$0	\$0	\$1,841,204	\$0	\$0	\$1,841,204
974	Depreciation Expense	\$148,839	\$204,479	\$7,750	\$0	\$10,745	\$371,813
900	TOTAL EXPENSES	\$515,269	\$644,951	\$2,157,277	\$16,645	\$29,847	\$3,363,989
	OTHER FINANCING SOURCES (USES)						
1001	Operating Transfers In	\$0	\$36,856	\$0	\$0	\$0	\$36,856
1002	Operating Transfers Out	\$0	\$0	\$0	(\$36,856)	\$0	(\$36,856)
1010	Total Other Financing Sources (Uses)	\$0	\$36,856	\$0	(\$36,856)	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$137,338)	(\$209,593)	\$66,078	\$133,009	(\$5,783)	(\$153,627)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,326,180	\$2,847,529	\$268,563	\$322,422	\$151,909	\$4,916,603
1120	Unit Months Available	768	1,164	6,300	0	48	8,280
1121	Number of Unit Months Leased	754	936	5,796	0	48	7,534
1117	Administrative Fee Equity	\$0	\$0	\$183,889	\$0	\$0	\$183,889
1118	Housing Assistance Payments Equity	\$0	\$0	\$150,752	\$0	\$0	\$150,752

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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
Piketon, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pike Metropolitan Housing Authority, Ohio'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 Pike Metropolitan Housing Authority, Ohio'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 Pike Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Pike Metropolitan Housing Authority, Ohio's internal control.

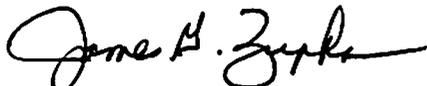
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Pike Metropolitan Housing Authority, Ohio's internal control.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pike Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 management, Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.
Certified Public Accountants

June 4, 2008

JAMES G. ZUPKA, C.P.A., INC.

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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
Piketon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We 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, 2007. The Pike Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Pike Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Pike Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the 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, 2007.

Internal Control Over Compliance

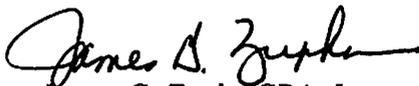
The management of the Pike Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Pike Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pike Metropolitan Housing Authority, Ohio's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 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 the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka CPA, Inc.
Certified Public Accountants

June 4, 2008

**PIKE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

2007(i)	Type of Financial Statement Opinion	Unqualified
2007(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2007(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2007(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2007(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2007(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2007(v)	Type of Major Programs' Compliance Opinion	Unqualified
2007(vi)	Are there any reportable findings under .510?	No
2007(vii)	Major Programs (list):	
	Housing Choice Voucher Program - CFDA #14.871	
2007(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2007(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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
JULY 15, 2008**