

PIKE METROPOLITAN HOUSING AUTHORITY

PIKE COUNTY

SINGLE AUDIT

JANUARY 1, 1999 THROUGH DECEMBER 31, 1999

FISCAL YEAR AUDITED UNDER GAGAS: 1999

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SINGLE AUDIT
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PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
YEAR ENDING DECEMBER 31, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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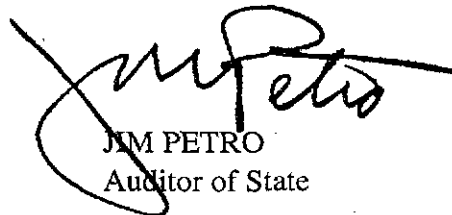
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Pike Metropolitan Housing Authority
Piketon, Ohio 45661

We have reviewed the Independent Auditor's Report of the Pike Metropolitan Housing Authority, Pike County, prepared by Michael A. Balestra, CPA, Inc., for the audit period January 1, 1999 through December 31, 1999. 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 County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

June 13, 2000

MICHAEL A. BALESTRA, CPA, INC.
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Ohio Society of Certified Public Accountants

Board of Commissioners
Pike Metropolitan Housing Authority
Piketon, Ohio 45661

U.S. Department of Housing and
Urban Development
Public Housing Division
Federal Office Building, Rm 9002
Cincinnati, Ohio

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of Pike Metropolitan Housing Authority, Pike County, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Pike Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pike Metropolitan Housing Authority, as of December 31, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 11, 2000 on our consideration of the Pike Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

As discussed in Note 12, Pike Metropolitan Housing Authority changed accounting methods in 1999 from the modified accrual method of accounting to the full accrual method of accounting in accordance with Housing and Urban Development requirements.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

April 11, 2000

PIKE METROPOLITAN HOUSING AUTHORITY
 PIKETON, OHIO
 COMBINED BALANCE SHEET - PROPRIETARY FUND TYPE
 YEAR ENDING DECEMBER 31, 1999

	<u>ENTERPRISE</u>
<i>Assets</i>	
Current Assets:	
Cash - Unrestricted	\$197,670
Cash - Tenant Security Deposits	14,076
Cash - Restricted - Modernization & Development	550
Accounts Receivable:	
Miscellaneous	7,835
Tenants - Dwelling Rents	5,051
Investments - Unrestricted	609,226
Inventories	6,787
Prepaid Expenses and Other Assets	2,049
Total Current Assets:	843,244
Noncurrent Assets:	
Fixed Assets, Net of Accumulated Depreciation	3,619,910
Total Noncurrent Assets:	3,619,910
<i>Total Assets</i>	\$4,463,154

See accompanying notes to the general purpose financial statements

PIKE METROPOLITAN HOUSING AUTHORITY
 PIKETON, OHIO
 COMBINED BALANCE SHEET - PROPRIETARY FUND TYPE
 YEAR ENDING DECEMBER 31, 1999

	<u>ENTERPRISE</u>
<i>Liabilities</i>	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	\$6,257
Accounts Payable:	
<= 90 Days Past Due	15,391
HUD PHA Programs	47,864
Compensated Absences	39,204
Tenant Security Deposits	13,566
Deferred Revenues	88,667
Other Accrued Liabilities	15,342
Total Current Liabilities:	226,291
Noncurrent Liabilities:	
Other Noncurrent Liabilities:	10,162
Total Noncurrent Liabilities:	10,162
<i>Total Liabilities</i>	236,453
<i>Equity</i>	
Contributed Capital:	
Project Notes (HUD)	4,714,494
Net HUD PHA Contributions	1,693,758
Other Contributions	90,037
Total Contributed Capital	6,498,289
Retained Earnings:	
Reserved for Operating Activities	609,148
Unreserved	(2,880,736)
<i>Total Equity</i>	4,226,701
<i>Total Liabilities and Equity</i>	\$4,463,154

See accompanying notes to the general purpose financial statements

PIKE METROPOLITAN HOUSING AUTHORITY
 PIKETON, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -
 PROPRIETARY FUND TYPE
 YEAR ENDING DECEMBER 31, 1999

	<u>ENTERPRISE</u>
<i>Revenues</i>	
Tenant Revenues:	
Net Tenant Rental Revenue	\$117,834
Tenant Revenue - Other	4,592
Total Tenant Revenue	122,426
HUD PHA Grants	1,529,609
Investment Income - Unrestricted	32,667
Fraud Recovery	1,749
Other Revenue	630
Total Revenue	1,687,101
<i>Expenses</i>	
Administrative:	
Administrative Salaries	206,382
Auditing Fees	4,264
Employee Benefit Contributions	51,744
Other Operating	45,829
Total Administrative	308,019
Tenant Services:	
Tenant Services - Other	135
Total Tenant Services	135
Utilities:	
Water	23,643
Electricity	6,981
Gas	1,573
Total Utilities	32,197
Ordinary Maintenance & Operation:	
Labor	53,770
Materials and Other	23,931
Contract Costs	20,311
Employee Benefit Contributions	12,503
Total Ordinary Maintenance Operation	110,515
General Expenses:	
Insurance Premiums	7,332
Payments in Lieu of Taxes	8,564
Bad Debt - Tenant Rents	7,798
Severance Expense	7,253
Total General Expenses	30,947
Total Operating Expenses	481,813
Excess Operating Revenue over Operating Expenses	1,205,288
Other Expenses:	
Housing Assistance Payments	1,132,728
Depreciation Expense	106,249
Total Expenses	1,720,790
Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(33,689)
Retained Earnings, Beginning of Year (Restated - Note 12)	(2,237,899)
Retained Earnings, End of Year	(2,271,588)
Contributed Capital at Beginning of Year	6,272,796
Contributions During Year	225,493
Contributed Capital at End of Year	6,498,289
Total Fund Equity at End of Year	\$4,226,701

See accompanying notes to the general purpose financial statements

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEAR ENDING DECEMBER 31, 1999

	<u>ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Operating Income	(\$33,689)
Adjustments to reconcile net loss to net cash provided by operating activities	
(Increase) Decrease In:	
Accounts Receivable	(3,379)
Investments	(2,919)
Inventories	(6,787)
Deferred Charges	(864)
Increase (Decrease) In:	
Accounts Payable	16,229
Accrued Expense	22,660
Deferred Credits	86,316
Compensated Absences	39,204
Trust and Deposit Liabilities	(14,047)
Non-current Liabilities	10,162
Depreciation Expense	106,249
Net Cash Provided By Operating Activities	219,135
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Equipment purchased	(17,205)
Modernization Improvements	(225,493)
CIAP Funding	225,493
Net Cash Used By Capital Financing Activities	(17,205)
Net Increase (Decrease) In Cash	201,930
Cash At The Beginning Of Year	10,366
Cash At End Of Year	\$212,296

See accompanying notes to the general purpose financial statements

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY

The Pike Metropolitan Housing Authority (the Authority) is a political subdivision of the State of Ohio, created under Section 3735.27 of the Ohio Revised Code.

The Pike Metropolitan Housing Authority was established for the purpose of engaging the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction, and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

Description of Programs

A. PUBLIC HOUSING PROGRAM

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

B. MODERNIZATION PROGRAMS

Substantially all additions to land, structures, and equipment are accomplished through modernization programs (included in the financial statements under the public housing program). Modernization funds replace or materially upgrade deteriorated portions of existing Authority property.

C. HOUSING ASSISTANCE PAYMENTS PROGRAM - SECTION 8

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

REPORTING ENTITY

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Authority are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Authority. For the Authority, this includes general operations, public housing, section 8, and modernization programs. Component units are legally separate organizations for which the Authority is financially accountable.

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY (Continued)

REPORTING ENTITY (Continued)

The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization or (2) the Authority is legally entitled to or can otherwise access the organization's resources; (3) the Authority is legally obligated or has assumed responsibility to finance the deficits of, or provide fiscal support to, the organization; (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the levying of taxes or issuance of debt. The Authority did not have any component units or other related organizations in 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pike Metropolitan Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applies to governmental units. The Governmental Accounting Standards Board is the accepted standard - setting body for establishing governmental accounting and financial reporting principles. The Pike Metropolitan Housing Authority also applies Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the Authority are grouped into the following fund type:

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

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

Enterprise Funds - The enterprise funds are used to account for operations 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services of the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type income statements represent increase (e.g. revenues) and decreases (e.g. expenditures and other financing uses) in net total assets.

C. BASIS OF ACCOUNTING

The accrual basis of accounting is used for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and measurable and expenses are recorded at the time liabilities are incurred, if measurable.

The Authority reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. BUDGETARY DATA

The Authority is not required to follow the budgetary requirements of the Ohio Revised Code. However, the Authority does maintain a budget for management purposes.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds deposited in checking accounts. Cash equivalents are stated at cost, which approximates market value.

The Authority has investments in the form of certificates of deposits and money market funds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND CASH EQUIVALENTS (Continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the Authority with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. PROPERTY, PLANT AND EQUIPMENT

The fixed asset values initially were determined by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Enterprise Fund Fixed Assets: Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-40 years
Building Improvements	20 years
Furniture and Fixtures	5-10 years
Equipment and Machinery	3-10 years

G. INVENTORIES OF SUPPLIES

Inventories of enterprise funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenses in the enterprise funds when used.

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. COMPENSATED ABSENCES

In 1999, the Authority implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end.

In proprietary funds, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

J. TAX LIABILITY

The Authority is by law exempt from all Federal, state, and local taxes and assessments. The Authority has elected to pay a "Payment in Lieu of Taxes (PILOT)" based principally on a percentage of tenant dwelling income received from HUD-assisted programs.

K. INTERGOVERNMENTAL REVENUES

Grants, entitlements or shared revenues received for enterprise fund operating purposes are recognized in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

L. CONTRIBUTED CAPITAL

Contributed capital represents resources from other governments and private sources to the extent they exceed the cost, which have been provided to the enterprise funds and are not subject to repayment. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings. As of December 31, 1999 the Authority's contributed capital consisted of fixed assets purchased with funding from the federal government, and the forgiven long term debt and the related interest from HUD.

M. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and accompanying notes. Accordingly, actual results could differ from those estimates.

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. RESERVES OF FUND EQUITY

The Authority records reservations for those portions of retained earnings which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Unreserved retained earnings indicates that portion of fund equity which is available for expenses in future periods. Retained earnings reserves have been established for operating purposes.

3. CASH AND INVESTMENTS

The Governmental Accounting Standards Board has established three (3) risk categories for deposits. Category 1 includes deposits insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits. This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the Authority's name.

All deposits are carried at cost. As of December 31, 1999, the bank balances of the Authority's cash and investments was \$830,697. Of the bank balances, \$200,000 was insured by FDIC insurance. The remaining balance of \$630,697 was classified as Category 1 for deposits.

The Government Accounting Standards Board has established three (3) risk categories for investments. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or by its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparts trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart or by its trust department or agent, but not in the Authority's name.

HUD Handbook 7475.1, Chapter 4, section 1, authorized the PHA to make investments in direct obligations of the Federal Government, obligation of Federal Government Agencies, securities of Government-sponsored Agencies and demand and savings deposits and certificates of deposits.

The Authority had only money market deposits and certificates of deposit on hand and classified as investments. As of December 31, 1999, the balance was \$609,226.

4. INVENTORY

Inventory is valued at the lower of cost or market. The cost of inventory is recorded as an expense at the time individual items are purchased.

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

5. RECEIVABLES

Receivables at December 31, 1999 consisted of accounts receivable from tenants for rent and materials and miscellaneous receivables which includes late charges and utilities owed to the Authority by the tenants.

6. NON-CURRENT LIABILITIES

The Authority has non-current liabilities which is a Section 8 Certified program designed to hold federal monies for participating tenants to be used as a down payment on a home when a tenant terminates participation in the HUD program.

7. FIXED ASSETS

PROPRIETARY FUND FIXED ASSETS A summary of the Proprietary Fund Types fixed assets as of December 31, 1999, follows:

	Balance at <u>12/31/99</u>
Land	\$ 186,662
Land Improvements	724,902
Building	3,559,489
Building Improvements	771,142
Furniture, Equipment & Machinery- Dwellings	247,832
Furniture, Equipment & Machinery- Administration	<u>46,523</u>
Total Assets	5,536,550
Accumulated Depreciation	<u>(1,916,640)</u>
Net Value of Assets	<u>\$ 3,619,910</u>

8. DEFINED BENEFIT PENSION PLAN

PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN

All Pike Metropolitan Housing Authority's full time employees participate in the Public Employees Retirement System of Ohio ("System"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 42315-4562 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

8. DEFINED BENEFIT PENSION PLAN (Continued)

PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates effective for 1999 were 8.5% of their salary. The 1999 employer contribution rate relating to employees was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. As of December 31, 1999, the Authority had no outstanding amounts owed to PERS.

9. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for local government employers was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1999.

The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

10. OTHER EMPLOYEE BENEFITS

Compensated Absences: Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation on the employee's anniversary date. Vacation time can be carried over for one year, but must be taken in the year following the year earned. Employees are paid for earned, unused vacation leave at the time of termination.

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

10. OTHER EMPLOYEE BENEFITS (Continued)

Sick leave is earned at a rate of 3.75 hours per pay period (2 weeks). Employees who retire are paid for their earned, unused sick leave hours up to a maximum of 30 days, or the full balance may be transferred to another governmental agency. Such payment shall be based on the employee's rate of pay at the time of retirement. At December 31, 1999 the current amount of unpaid compensated absences was \$39,204.

11. SEGMENT INFORMATION

Financial segment information as of and for the year ended December 31, 1999, for the Enterprise Funds presented is as follows:

	Section 8 Certified	Section 8 Voucher	Public Housing	CIAP	Total Enterprise Fund
Operating Revenues	\$1,056,261	\$318,843	\$297,372	\$14,625	\$1,687,101
Operating Expenses Before Depreciation	1,005,149	280,424	314,343	14,625	1,614,541
Depreciation Expense	2,951	0	103,298	0	106,249
Operating Gain (Loss)	48,161	38,419	(120,269)	0	(33,689)
Contributed Capital	32,653	0	5,453,183	1,012,453	6,498,289
Total Assets	509,102	120,419	2,821,180	1,012,453	4,463,154
Accounts Payable to HUD	23,161	24,703	0	0	47,864
Total Equity	408,020	38,419	2,767,809	1,012,453	4,226,701

12. CHANGE IN ACCOUNTING PRINCIPALS

In 1999, the Authority changed its accounting method from the modified accrual method of accounting to a full accrual method.

Due to the change from a modified accrual to a full accrual method of accounting, the net change of beginning fund balances is as follows:

	Beginning Fund Balance/ <u>Retained Earnings</u>	<u>Adjustments</u>	Restated Fund Balance <u>Retained Earnings</u>
Enterprise Funds:			
Section 8 - Certified	\$ 323,532	\$ 3,674	\$ 327,206
Public Housing	383,956	(2,949,061)	(2,565,105)

PIKE METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

13. CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Authority's management believes disallowances, if any, will be immaterial.

14. ECONOMIC DEPENDENCY

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

15. RISK MANAGEMENT

The Authority maintains comprehensive liability insurance coverage with Arthur J. Gallagher & Co. Coverages provided by this company is as follows:

Property	\$ 638,735
General Liability	
Per occurrence	1,000,000
Aggregate	2,000,000

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

Health, Dental, Vision, and Life insurance is offered to Authority employees through a commercial insurance company, McNelly, Patrick & Associates.

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
YEAR ENDING DECEMBER 31, 1999

	<u>Section 8 Certified</u>	<u>Section 8 Voucher</u>	<u>Public Housing</u>	<u>CIAP</u>	<u>TOTAL</u>
Assets					
Current Assets:					
Cash - Unrestricted	\$74,486	\$120,384	\$2,800	\$0	\$197,670
Cash - Tenant Security Deposits	0	0	14,076	0	14,076
Cash - Restricted - Modernization & Development	0	0	0	550	550
Accounts Receivable:					
Miscellaneous	4,952	0	2,883	0	7,835
Tenants - Dwelling Rents	0	0	5,051	0	5,051
Investments - Unrestricted	415,888	0	193,338	0	609,226
Inventories	0	0	6,787	0	6,787
Prepaid Expenses and Other Assets	108	35	1,906	0	2,049
Total Current Assets:	465,434	120,419	226,841	550	843,244
Noncurrent Assets:					
Fixed Assets, Net of Accumulated Depreciation	13,668	0	2,594,339	1,011,903	3,619,910
Total Noncurrent Assets:	13,668	0	2,594,339	1,011,903	3,619,910
Total Assets	\$509,102	\$120,419	\$2,821,180	\$1,012,453	\$4,463,154

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
YEAR ENDING DECEMBER 31, 1999

	Section 8 Certified	Section 8 Voucher	Public Housing	CIAP	TOTAL
<i>Liabilities</i>					
Current Liabilities:					
Accrued Wages/Payroll Taxes Payable	\$1,513	\$1,212	\$3,532	\$0	\$6,257
Accounts Payable:					
<= 90 Days Past Due	0	0	15,391	0	15,391
HUD PHA Programs	23,161	24,703	0	0	47,864
Compensated Absences	18,322	0	20,882	0	39,204
Tenant Security Deposits	0	0	13,566	0	13,566
Deferred Revenues	32,950	55,717	0	0	88,667
Other Accrued Liabilities	14,974	368	0	0	15,342
Total Current Liabilities:	90,920	82,000	53,371	0	226,291
Noncurrent Liabilities:					
Other Noncurrent Liabilities:	10,162	0	0	0	10,162
Total Noncurrent Liabilities:	10,162	0	0	0	10,162
Total Liabilities	101,082	82,000	53,371	0	236,453
<i>Equity</i>					
Contributed Capital:					
Project Notes (HUD)	0	0	4,714,494	0	4,714,494
Net HUD PHA Contributions	32,616	0	648,689	1,012,453	1,693,758
Other Contributions	37	0	90,000	0	90,037
Total Contributed Capital	32,653	0	5,453,183	1,012,453	6,498,289
Retained Earnings:					
Reserved for Operating Activities	375,367	38,419	195,362	0	609,148
Unreserved	0	0	(2,880,736)	0	(2,880,736)
Total Equity	408,020	38,419	2,767,809	1,012,453	4,226,701
Total Liabilities and Equity	\$509,102	\$120,419	\$2,821,180	\$1,012,453	\$4,463,154

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -
ENTERPRISE FUNDS
YEAR ENDING DECEMBER 31, 1999

	Certified	Voucher	Housing	CIAP	TOTAL
Revenues					
Tenant Revenues:					
Net Tenant Rental Revenue	\$0	\$0	\$117,834	\$0	\$117,834
Tenant Revenue - Other	0	0	4,592	0	4,592
Total Tenant Revenue	0	0	122,426	0	122,426
HUD PHA Grants	1,033,711	318,843	162,430	14,625	1,529,609
Investment Income - Unrestricted	21,920	0	10,767	0	32,687
Fraud Recovery	0	0	1,749	0	1,749
Other Revenue	630	0	0	0	630
Total Revenue	1,056,261	318,843	297,372	14,625	1,687,101
Expenses					
Administrative:					
Administrative Salaries	84,068	22,918	99,396	0	206,382
Auditing Fees	2,227	437	1,600	0	4,264
Employee Benefit Contributions	24,754	4,609	22,381	0	51,744
Other Operating	10,192	3,211	17,601	14,625	45,629
Total Administrative	121,241	31,175	140,978	14,625	308,019
Tenant Services:					
Tenant Services - Other	0	0	135	0	135
Total Tenant Services	0	0	135	0	135
Utilities:					
Water	0	0	23,643	0	23,643
Electricity	0	0	6,981	0	6,981
Gas	0	0	1,573	0	1,573
Total Utilities	0	0	32,197	0	32,197
Ordinary Maintenance & Operation:					
Labor	0	0	53,770	0	53,770
Materials and Other	0	0	23,931	0	23,931
Contract Costs	0	0	20,311	0	20,311
Employee Benefit Contributions	0	0	12,503	0	12,503
Total Ordinary Maintenance Operation	0	0	110,515	0	110,515
General Expenses:					
Insurance Premiums	324	105	6,903	0	7,332
Payments in Lieu of Taxes	0	0	8,564	0	8,564
Bad Debt - Tenant Rents	0	0	7,798	0	7,798
Severance Expense	0	0	7,253	0	7,253
Total General Expenses	324	105	30,518	0	30,947
Total Operating Expenses	121,565	31,280	314,343	14,625	481,813
Excess Operating Revenue over Operating Expenses	934,696	287,563	(16,971)	0	1,205,288
Other Expenses:					
Housing Assistance Payments	883,584	249,144	0	0	1,132,728
Depreciation Expense	2,951	0	103,298	0	106,249
Total Expenses	1,008,100	280,424	417,641	14,625	1,720,790
Excess (Deficiency) of Operating Revenue Over (Under) Expenses	48,161	38,419	(120,269)	0	(33,689)
Retained Earnings, Beginning of Year (Restated - Note 12)	327,206	0	(2,565,105)	0	(2,237,899)
Retained Earnings, End of Year	375,367	38,419	(2,685,374)	0	(2,271,588)
Contributed Capital at Beginning of Year	32,653	0	5,453,183	786,960	6,272,796
Contributions During Year	0	0	0	225,493	225,493
Contributed Capital at End of Year	32,653	0	5,453,183	1,012,453	6,498,289
Total Fund Equity at End of Year	\$408,020	\$38,419	\$2,767,809	\$1,012,453	\$4,226,701

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
YEAR ENDING DECEMBER 31, 1999

	<u>Certified</u>	<u>Voucher</u>	<u>Housing</u>	<u>CIAP</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Operating Income	\$48,161	\$38,419	(\$120,269)	\$0	(\$33,689)
Adjustments to reconcile net loss to net cash provided by operating activities					
(Increase) Decrease In:					
Accounts Receivable	0	0	(3,379)	0	(3,379)
Investments	(22,477)	0	19,558	0	(2,919)
Inventories	0	0	(6,787)	0	(6,787)
Deferred Charges	(108)	(35)	(721)	0	(864)
Increase (Decrease) In:					
Accounts Payable	(27,366)	24,703	18,892	0	16,229
Accrued Expense	20,873	1,580	207	0	22,660
Deferred Credits	32,950	55,717	(2,351)	0	86,316
Compensated Absences	18,322	0	20,882	0	39,204
Trust and Deposit Liabilities	(14,047)	0	0	0	(14,047)
Non-current Liabilities	10,162	0	0	0	10,162
Depreciation Expense	2,951	0	103,298	0	106,249
Net Cash Provided By Operating Activities	<u>69,421</u>	<u>120,384</u>	<u>29,330</u>	<u>0</u>	<u>219,135</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Equipment purchased	(975)	0	(16,230)	0	(17,205)
Modernization Improvements	0	0	(225,493)	0	(225,493)
CIAP Funding	0	0	225,493	0	225,493
Net Cash Used By Capital Financing Activities	<u>(975)</u>	<u>0</u>	<u>(16,230)</u>	<u>0</u>	<u>(17,205)</u>
Net Increase (Decrease) In Cash	68,446	120,384	13,100	0	201,930
Cash At The Beginning Of Year	6,040	0	3,776	550	10,366
Cash At End Of Year	<u>\$74,486</u>	<u>\$120,384</u>	<u>\$16,876</u>	<u>\$550</u>	<u>\$212,296</u>

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>FROM U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>	<u>FEDERAL CFDA NUMBER</u>	<u>1999 FEDERAL EXPENDITURES</u>
PH Owned Housing: <i>Operating Subsidy</i>	14.850	162,430
Modernization Project	14.852	233,193
Section 8 Cluster: <i>Annual Contribution</i>	14.857	<u>1,347,504</u>
TOTAL - ALL PROGRAMS		<u><u>1,743,127</u></u>

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

MICHAEL A. BALESTRA, CPA, INC.
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Ohio Society of Certified Public Accountants

Board of Commissioners
Pike Metropolitan Housing Authority
Piketon, Ohio 45661

U.S. Department of Housing and
Urban Development
Public Housing Division
Federal Office Building, Rm 9002
Cincinnati, Ohio

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

We have audited the financial statements of the Pike Metropolitan Housing Authority, Pike County, as of and for the year ended December 31, 1999, and have issued our report thereon dated April 11, 2000, in which we indicated the Authority had changed its method of accounting from modified accrual to full accrual. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Pike Metropolitan Housing Authority
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
Page -2-

This report is intended for the information of the management, members of the Board, 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.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

April 11, 2000

MICHAEL A. BALESTRA, CPA, INC.
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U.S. Department of Housing and
Urban Development
Public Housing Division
Federal Office Building, Rm 9002
Cincinnati, Ohio

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

Compliance

We have audited the compliance of Pike Metropolitan Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 1999. Pike Metropolitan Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Pike Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Pike Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Pike Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of Pike Metropolitan Housing Authority 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 Pike Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, members of the Board, 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.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

April 11, 2000

PIKE METROPOLITAN HOUSING AUTHORITY
 PIKETON, OHIO
 YEAR ENDING DECEMBER 31, 1999

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Section 8 Cluster: Rental Certifical Program CFDA #14.857
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
YEAR ENDING DECEMBER 31, 1999

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

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

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

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

PIKE METROPOLITAN HOUSING AUTHORITY
PIKETON, OHIO
YEAR ENDING DECEMBER 31, 1999

SUMMARY OF ACTIVITIES

At the close of fiscal year ended December 31, 1999, the Pike Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
<u>Public Housing - Contract C-5096</u>	
Owned - Project - OH16-P00-001-002	97
<u>Section 8 - Contract C-5051</u>	
Existing - Project - OH16-E060-005-021	<u>423</u>
TOTAL	<u>520</u>

Prior Audit Findings

No prior audit findings.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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PIKE METROPOLITAN HOUSING AUTHORITY

PIKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By Susan Babbitt

Date: JUNE 27, 2000