

Pickaway Metropolitan Housing Authority

Pickaway County

Single Audit

January 1, 2004 through December 31, 2004

Year Audited Under GAGAS: 2004

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

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
[www.bhscpas.com](http://www.bhscpas.com)





**Auditor of State  
Betty Montgomery**

Board of Commissioners  
Pickaway Metropolitan Housing Authority  
176 Rustic Drive  
Circleville, Ohio 43113

We have reviewed the Independent Auditor's Report of the Pickaway Metropolitan Housing Authority, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pickaway Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 9, 2005

**This Page is Intentionally Left Blank.**

**Pickaway Metropolitan Housing Authority**  
*Table of Contents*  
*For the Year Ended December 31, 2004*

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 8
Basic Financial Statements:	
Statement of Net Assets .....	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows.....	11 - 12
Notes to the Basic Financial Statements.....	13 - 20
Schedule of Federal Awards Expenditures .....	21
Notes to the Schedule of Federal Awards Expenditures.....	22
Supplemental Financial Data:	
Combing Statement of Net Assets.....	23
Combing Statement of Revenues, Expenses and Changes in Net Assets.....	24
Combining Statement of Cash Flows .....	25 - 26
Summary of Activity .....	27
Actual Modernization Cost Certifications.....	28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	29 – 30
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	31 - 32
Schedule of Findings and Questioned Costs OMB Circular A-33 Section .505.....	33 - 34

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Board of Commissions  
Pickaway Metropolitan Housing Authority  
Circleville, Ohio 43113

We have audited the basic financial statements of Pickaway Metropolitan Housing Authority (the Authority), Pickaway County, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the District'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 basic 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 the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

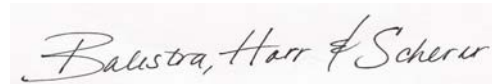
In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 should be considered in assessing the results of our audits.

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

Board of Commissioners  
Pickaway Metropolitan Housing Authority  
Independent Auditor's Report

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
April 28, 2005

**Pickaway Metropolitan Housing Authority**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*

---

It is a privilege to present for you the financial picture of Pickaway Metropolitan Housing Authority. The Pickaway Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

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

### **FINANCIAL HIGHLIGHTS**

- The revenue increased by \$303,738 (or 8.33%) during 2004, and was \$3,946,183 and \$3,642,445 for 2004 and 2003, respectively.
- The total expenses increased by \$9,710 (or .25%). Total expenses were \$3,884,389 and \$3,874,679 for 2004 and 2003, respectively.

### **BASIC FINANCIAL STATEMENTS**

The basic financial statements, beginning on page 9, are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories (as applicable):

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

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

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

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

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



**Pickaway Metropolitan Housing Authority**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*

---

**BASIC FINANCIAL STATEMENTS (CONTINUED)**

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

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

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the Authority to provide the housing at a rent that is based upon 30% of adjusted gross household income.

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

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

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

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

**Pickaway Metropolitan Housing Authority**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2004

---

**NET ASSETS**

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

Table 1

	2004	(Restated) 2003	Change
Current and other assets	\$1,264,815	\$1,417,468	(\$152,653)
Capital assets	5,921,703	5,706,425	215,278
TOTAL ASSETS	<u>7,186,518</u>	<u>7,123,893</u>	<u>62,625</u>
Current liabilities	104,004	124,988	(20,984)
Long-term liabilities	602,911	596,307	6,604
TOTAL LIABILITIES	<u>706,915</u>	<u>721,295</u>	<u>(14,380)</u>
Net assets:			
Invested in capital assets, net of related debt	5,371,573	5,172,343	199,230
Unrestricted	1,108,030	1,230,255	(122,225)
TOTAL NET ASSETS	<u>\$6,479,603</u>	<u>\$6,402,598</u>	<u>\$77,005</u>

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

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

**Pickaway Metropolitan Housing Authority**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2004

---

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

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

Table 2

	2004	(Restated) 2003	Change
<b>Revenues</b>			
Tenant revenue - rents and other	\$237,065	\$246,586	(\$9,521)
Operating subsidies and grants	3,290,186	3,274,885	15,301
Capital grants	395,718	94,900	300,818
Investment income/other revenues	23,214	26,074	(2,860)
TOTAL REVENUE	<u>3,946,183</u>	<u>3,642,445</u>	<u>303,738</u>
<b>Expenses</b>			
Administration	577,001	560,177	16,824
Utilities	92,807	85,032	7,775
Maintenance	186,649	190,083	(3,434)
General	57,473	77,405	(19,932)
Housing assistance payment	2,612,031	2,611,835	196
Depreciation	358,428	350,147	8,281
TOTAL EXPENSES	<u>3,884,389</u>	<u>3,874,679</u>	<u>9,710</u>
NET INCREASE/(DECREASE)	<u>\$61,794</u>	<u>(\$232,234)</u>	<u>\$294,028</u>

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

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

**Pickaway Metropolitan Housing Authority**  
*Management's Discussion and Analysis*  
For the Year Ended December 31, 2004

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of year end, the Authority had \$5,921,703 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$215,278 from the end of last year.

Table 3  
Capital Assets at Year-End  
(Net of Depreciation)

	2004	2003	Change
Land and land rights	\$507,619	\$471,802	\$35,817
Buildings	8,981,783	8,497,906	483,877
Equipment - administrative	217,033	220,841	(3,808)
Equipment - dwellings	115,135	108,046	7,089
Leasehold improvements	46,523	29,408	17,115
Construction in progress	18,164	0	18,164
Accumulated depreciation	(3,964,554)	(3,621,578)	(342,976)
<b>TOTAL</b>	<u><u>\$5,921,703</u></u>	<u><u>\$5,706,425</u></u>	<u><u>\$215,278</u></u>

The following reconciliation summarizes the change in Capital Assets.

Table 4  
Change in Capital Assets

BEGINNING BALANCE	\$5,706,425
Additions	573,706
Depreciation	(358,428)
ENDING BALANCE	<u><u>\$5,921,703</u></u>

This year's major additions are:

Capital improvements (CFP) completed on variety of the Authority's Public Housing complexes	\$395,718
Equipment, vehicles, houses and other capital assets purchased by operations	<u>177,988</u>
TOTAL ADDITIONS	<u><u>\$573,706</u></u>

**Pickaway Metropolitan Housing Authority**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**DEBT ADMINISTRATION**

The Authority's debt is listed as current and long-term debt on the statement of net assets and is a loan in the Williamsport Terrace project a FHA project. See Note 10 of the notes to the basic financial statements.

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding levels of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Market rates for rental housing

**IN CONCLUSION**

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

**FINANCIAL CONTACT**

If you have any questions regarding this report, you may contact Greg Bigam, Executive Director of the Pickaway Metropolitan Housing Authority at (740) 474-2514.

Respectfully submitted,

*Greg Bigam*  
Executive Director

**Pickaway Metropolitan Housing Authority**  
*Statement of Net Assets*  
*As of December 31, 2004*

Assets	
Current Assets:	
Cash and Cash Equivalents	\$333,713
Tenant Accounts Receivable	5,142
Accounts Receivable - Other	208,670
Accrued Interest Receivable	4,368
Accounts Receivable - Fraud	5,916
Interprogram Due From	51,959
Investments - Unrestricted	271,247
Inventory	6,030
Prepaid Expense	<u>10,162</u>
Total Current Assets	<u>897,207</u>
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	400,067
Property, Plant and Equipment, net of Accumulated Depreciation	5,921,703
Notes, Loans & Mortgages Receivable, Non Current	<u>19,500</u>
Total Noncurrent Assets	<u>6,341,270</u>
Total Assets	<u>7,238,477</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	12,375
Accounts Payable - Other Government	11,691
Accounts Payable - HUD PHA Programs	5,980
Accrued Wages and Payroll Taxes	18,170
Interprogram Due To	51,959
Long Term Debt - current portion	1,500
Compensated Absences - current portion	36,930
Tenant Security Deposits	16,243
Deferred Revenues	91
Other Accrued Liabilities	<u>1,024</u>
Total Current Liabilities	<u>155,963</u>
Noncurrent Liabilities:	
Long Term Debt	548,630
Noncurrent liabilities - Other	31,879
Compensated Absences - noncurrent portion	<u>22,402</u>
Total Noncurrent Liabilities	<u>602,911</u>
Total Liabilities	<u>758,874</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,371,573
Unrestricted Net Assets	<u>1,108,030</u>
Total Net Assets	<u>6,479,603</u>
Total Liabilities and Net Assets	<u><u>\$7,238,477</u></u>

The notes to the financial statements are an integral part of this statement.

**Pickaway Metropolitan Housing Authority**  
*Statement of Revenues, Expenses and Changes in Net Assets*  
For the Year Ended December 31, 2004

Revenues	
Rental Income	\$237,065
HUD Grants	3,276,769
Capital Grants	395,718
Other Government Grants	13,417
Investment Income	17,423
Fraud Recovery	2,077
Other Revenue	<u>3,714</u>
 Total Revenue	 <u>3,946,183</u>
 Operating Expenses	
Housing Assistance Payments	2,612,031
Administrative Salaries	354,419
Outside Management Fees	5,474
Employee Benefit Contributions	127,606
Compensated Absences	5,357
Other Administrative	84,145
Tenant Services Other	1,271
Utilities	92,807
Materials and Labor	88,684
Contract Costs	97,965
General Expenses	38,619
Bad Debt Expense	5,796
Interest Expense	<u>12,382</u>
 Total Operating Expenses	 <u>3,526,556</u>
 Excess Operating Revenue over Operating Expenses	 <u>419,627</u>
 Other Expenses:	
Fraud Losses	595
Depreciation Expense	<u>(358,428)</u>
 Total Other Expenses	 <u>(357,833)</u>
 Excess (Deficiency) of Revenue Over (Under) Expenses	  61,794
 Net Assets, Beginning of the Year (Restated)	 <u>6,417,809</u>
 Net Assets, End of Year	 <u><u>\$6,479,603</u></u>

The notes to the financial statements are an integral part of this statement.

**Pickaway Metropolitan Housing Authority**  
*Statement of Cash Flows*  
*For the Year Ended December 31, 2004*

---

Cash flows from operating activities	
Cash received from tenants	\$232,547
Cash received from HUD	3,729,259
Cash received from other operating sources	16,730
Cash payments for housing assistance payments	(2,612,031)
Cash payments for administrative	(540,012)
Cash payments for operating expenses	<u>(312,308)</u>
Net cash provided by/(used for) operating activities	<u>514,185</u>
Cash flows from capital and related financing activities	
Change in debt balances	16,048
Acquisition of capital assets	<u>(573,706)</u>
Net cash provided by/(used for) capital and related financing activities	<u>(557,658)</u>
Cash flows from investing activities	
Change in investments	<u>80,086</u>
Net cash provided by/(used for) investing activities	<u>80,086</u>
Increase/(decrease) in cash and cash equivalents	36,613
Cash and cash equivalents, beginning	<u>697,167</u>
Cash and cash equivalents, ending	<u><u>\$733,780</u></u>

The notes to the financial statements are an integral part of this statement.



---

Cash flows from operating activities	
Net Operating Income	\$61,794
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:	
Depreciation	358,428
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:	
(Increase) Decrease In:	
Accounts Receivable - Tenants, net	(4,518)
Accounts Receivable - Fraud, net	(840)
Accounts Receivable - HUD, net	56,772
Accounts Receivable - Interest, net	1,814
Accounts Receivable - Other, net	(2,667)
Interprogram Due From	(18,208)
Prepaid Expenses	24,651
Inventory	(765)
Increase (Decrease) In:	
Accounts Payable	1,814
Accounts Payable - Other Governments	(1,598)
Accounts Payable - HUD	5,980
Interprogram Due To	18,208
Security Deposits	433
Accrued Wages and Taxes	3,450
Accrued Compensated Absences	5,359
Deferred Revenues and Other Liabilities	4,078
Total Adjustments	<u>452,391</u>
Net cash provided by/(used for) operating activities	<u><u>\$514,185</u></u>

**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pickaway Metropolitan Housing Authority (PMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Pickaway Metropolitan Housing Authority and the 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 fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability are the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

The significant accounting policies followed in the preparation of these financial statements conform to generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Under the guidelines of GASB Statement No. 20, the Authority has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities. A summary of the significant accounting policies consistently applied in preparation of the accompanying financial statements is as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for as proprietary fund type in a single enterprise fund.

Use of Estimates

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

Cash and cash equivalents

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

Tenant Receivables – Recognition of Bad Debts

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for bad debts for tenant related receivables was \$6,003 at December 31, 2004.

**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due From/To Other Programs

The following is the detail to reconcile to the FDS schedule submitted to HUD. These are eliminated for the basic financial statements:

	Section 8	Public Housing	Other Business Activity	W.T.	Total
Due From	\$34,790	\$0	\$17,169	\$0	\$51,959
Due To	(\$5,317)	(\$34,009)	\$0	(\$12,633)	(\$51,959)

Property and Equipment

Property and equipment is recorded at cost. Costs that material add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

Useful Lives:	Buildings	27.5 – 40 years
	Buildings and Leasehold Improvements	15
	Furniture and Equipment	7
	Autos	5
	Computers	3

Depreciation is recorded on the straight-line method.

Investments

Investments are stated at fair value. Cost-based measurers of fair value were applied to non-negotiable certificates of deposit and money market investments.

Restricted Cash

Restricted cash represents amounts received for the home ownership program.

Net Assets

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

Board Designated Amounts

The Board of Commissioners used \$120,000 of net assets that were previously designated for future use for development projects and acquired two houses.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$660 at December 31, 2004.

**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

NOTE 2 - CASH AND INVESTMENTS

Cash

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

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

The following shows the Authority's deposits (bank balances) in each category:

- Category 1: \$571,183 was covered by federal depository insurance
- Category 2: \$434,689 was covered by specific collateral pledged by the financial institution in the name of the Authority.

Book balances at December 31, 2004 were as follows:

	Cash	Investments	Total
Public housing	\$150,389	\$115,470	\$265,859
Section 8	270,500	105,767	376,267
Rural rental housing	24,219	50,010	74,229
Business activities	288,672	0	288,672
<b>TOTAL</b>	<b>\$733,780</b>	<b>\$271,247</b>	<b>\$1,005,027</b>

**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments

HUD State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless also prohibited. An investment must mature within five years from the date of expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by the certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its trust department but not in the authority's name.

The Authority's non-negotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 4 - CAPITAL ASSETS

A summary of capital assets at December 31, 2004, by class is as follows:

CAPITAL ASSETS, NOT BEING DEPRECIATED	
Land	\$507,619
CAPITAL ASSETS, BEING DEPRECIATED	
Buildings and improvements	8,981,783
Furniture and equipment - dwelling	115,135
Furniture and equipment - administrative	217,033
Leasehold improvements	46,523
Construction in progress	18,164
Total	9,886,257
Less: accumulated depreciation	(3,964,554)
TOTAL CAPITAL ASSETS, NET	\$5,921,703

Depreciation expense was \$358,428 for the year ended December 31, 2004.

**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

NOTE 5 - ADMINISTRATIVE FEE

The Authority receives an “administrative fee” as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rate was \$44.90 per total units leased.

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

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

- a. The Traditional Pension Plan (TP) – cost-sharing multiple-employer defined benefit pension plan.
- b. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year.) Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- c. 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 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 basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plan. 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 which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2004. The Authority’s required contributions, including the pick up portion for certain employees for the years ended December 31, 2004, 2003, and 2002 were \$108,636, \$99,339, and \$95,479, respectively. All required payments of contributions have been made through December 31, 2004.

**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

**NOTE 7 - POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; 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. In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2004 employer contribution rate was 13.55 percent of covered payroll, and 4.00 percent was used to fund health care for the year.

The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2003.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.00 percent. An annual increase of 4.00 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.30 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 were \$10 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$28.7 billion and \$8.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Prevention 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 skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service to retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow 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 option selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

NOTE 8 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws. All permanent employees will earn 4.0 hours sick leave per 80 hours of service. Unused sick leave may be accumulated without limit. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation. At December 31, 2004, based on the vesting method, \$59,332 was accrued by the Authority for unused vacation and sick time.

NOTE 9 - INSURANCE

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building, contents, and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements that exceeded insurance coverage during the past three years.

NOTE 10 - LONG-TERM DEBT

The Authority manages a multiple family housing project funded by the Department of Agriculture under their rural housing service. The debt associated with this project is as follows:

Amount of loan	\$545,795
Date of loan	May 10, 1985
Interest rate	11.875%
Unpaid principal	\$532,405

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

During the year the Authority signed for a loan with Savings Bank for architect fees for the rehabilitation work for Williamsport Terrace:

Maximum loan authorized	\$300,000
Date of Loan	March 12, 2004
Interest rate	5.450% Fixed
Advances through 12/31/04	\$17,725

NOTE 11 - ACCRUED LIABILITIES

The following is the detail of accrued liabilities at December 31, 2004:

Accrued payroll and payroll taxes	\$18,170
Accrued compensated absences - current	36,930
Other accrued liabilities	<u>1,024</u>
<b>TOTAL ACCRUED LIABILITIES</b>	<b><u><u>\$56,124</u></u></b>



**Pickaway Metropolitan Housing Authority**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

---

NOTE 12 - PRIOR PERIOD ADJUSTMENT

The following is the detail of net assets:

Net assets, beginning of year	\$6,402,598
Correction of overstated compensated absences	16,193
HUD adjustments on Section 8 reports	(982)
NET ASSETS, BEGINNING	<u>          </u>
OF YEAR, RESTATED	<u><u>\$6,417,809</u></u>

**Pickaway Metropolitan Housing Authority**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2004*

Federal Grantor/ Program Title	Federal CFDA Number	Disbursements
<b>U.S. Department of Housing and Urban Development:</b>		
Low Rent Public Housing	14.850a	\$259,781
Public Housing Capital Fund Program	14.872	431,601
Section 8 Housing Choice Vouchers	14.871	<u>2,981,105</u>
<b>Total U.S. Department of Housing and Urban Development</b>		3,672,487
<b>U.S. Department of Agriculture:</b>		
Rural Rental Housing Loans	10.415	<u>13,417</u>
<b>Total U.S. Department of Agriculture</b>		<u>13,417</u>
Total Federal Financial Assistance		<u><u>\$3,685,904</u></u>

See the notes to the Schedule of Federal Awards Expenditures.

**Pickaway Metropolitan Housing Authority**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2004*

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Pickaway Metropolitan Housing Authority**  
*Combining Statement of Net Assets*  
As of December 31, 2004

	Low Rent Public Housing	Public Housing Capital Fund Program	Rural Rental Housing Loans	Housing Choice Vouchers	Business Activities	Total
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$57,925	\$0	\$5,288	\$270,500	\$0	\$333,713
Tenant Accounts Receivable	3,862	0	1,280	0	0	5,142
Accounts Receivable - Other	1,017	0	140	9,996	197,517	208,670
Accrued Interest Receivable	1,446	0	0	356	2,566	4,368
Accounts Receivable - Fraud	0	0	0	5,916	0	5,916
Interprogram Due From	0	0	0	34,790	17,169	51,959
Investments - Unrestricted	115,470	0	50,010	105,767	0	271,247
Inventory	3,624	0	0	2,406	0	6,030
Prepaid Expense	4,643	0	537	4,982	0	10,162
<b>Total Current Assets</b>	<b>187,987</b>	<b>0</b>	<b>57,255</b>	<b>434,713</b>	<b>217,252</b>	<b>897,207</b>
<b>Noncurrent Assets:</b>						
Cash and Cash Equivalents - Restricted	92,464	0	18,931	0	288,672	400,067
Property, Plant and Equipment, net of Accumulated Depreciation	4,964,636	392,277	316,303	42,155	206,332	5,921,703
Notes, Loans & Mortgages Receivable, Non Current	0	0	0	0	19,500	19,500
<b>Total Noncurrent Assets</b>	<b>5,057,100</b>	<b>392,277</b>	<b>335,234</b>	<b>42,155</b>	<b>514,504</b>	<b>6,341,270</b>
<b>Total Assets</b>	<b>5,245,087</b>	<b>392,277</b>	<b>392,489</b>	<b>476,868</b>	<b>731,756</b>	<b>7,238,477</b>
<b>Liabilities:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	9,338	0	1,401	1,304	332	12,375
Accounts Payable - Other Government	11,691	0	0	0	0	11,691
Accounts Payable - HUD PHA Programs	0	0	0	5,980	0	5,980
Accrued Wages and Payroll Taxes	0	0	0	18,170	0	18,170
Interprogram Due To	34,009	0	12,633	5,317	0	51,959
Long Term Debt - current portion	0	0	1,500	0	0	1,500
Compensated Absences - current portion	23,465	0	0	13,465	0	36,930
Tenant Security Deposits	13,870	0	2,373	0	0	16,243
Deferred Revenues	91	0	0	0	0	91
Other Accrued Liabilities	0	0	1,024	0	0	1,024
<b>Total Current Liabilities</b>	<b>92,464</b>	<b>0</b>	<b>18,931</b>	<b>44,236</b>	<b>332</b>	<b>155,963</b>
<b>Noncurrent Liabilities:</b>						
Long Term Debt	0	0	548,630	0	0	548,630
Noncurrent liabilities - Other	0	0	0	31,879	0	31,879
Compensated Absences - noncurrent portion	13,886	0	0	8,516	0	22,402
<b>Total Noncurrent Liabilities</b>	<b>13,886</b>	<b>0</b>	<b>548,630</b>	<b>40,395</b>	<b>0</b>	<b>602,911</b>
<b>Total Liabilities</b>	<b>106,350</b>	<b>0</b>	<b>567,561</b>	<b>84,631</b>	<b>332</b>	<b>758,874</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	4,964,636	392,277	(233,827)	42,155	206,332	5,371,573
Unrestricted Net Assets	174,101	0	58,755	350,082	525,092	1,108,030
<b>Total Net Assets</b>	<b>5,138,737</b>	<b>392,277</b>	<b>(175,072)</b>	<b>392,237</b>	<b>731,424</b>	<b>6,479,603</b>
<b>Total Liabilities and Net Assets</b>	<b>\$5,245,087</b>	<b>\$392,277</b>	<b>\$392,489</b>	<b>\$476,868</b>	<b>\$731,756</b>	<b>\$7,238,477</b>

The notes to the financial statements are an integral part of this statement.

**Pickaway Metropolitan Housing Authority**  
*Combining Statement of Revenues, Expenses and Changes in Net Assets*  
*For the Year Ended December 31, 2004*

	Low Rent Public Housing	Public Housing Capital Fund Program	Rural Rental Housing Loans	Housing Choice Vouchers	Business Activities	Total
Revenues						
Rental Income	\$196,871	\$0	\$33,416	\$0	\$6,778	\$237,065
HUD Grants	259,781	35,883	0	2,981,105	0	3,276,769
Capital Grants	0	395,718	0	0	0	395,718
Other Government Grants	0	0	13,417	0	0	13,417
Investment Income	9,437	0	889	2,280	4,817	17,423
Fraud Recovery	0	0	0	2,077	0	2,077
Other Revenue	525	0	0	3,189	0	3,714
<b>Total Revenue</b>	<b>466,614</b>	<b>431,601</b>	<b>47,722</b>	<b>2,988,651</b>	<b>11,595</b>	<b>3,946,183</b>
Operating Expenses						
Housing Assistance Payments	0	0	0	2,612,031	0	2,612,031
Administrative Salaries	129,910	0	0	224,509	0	354,419
Outside Management Fees	0	0	5,474	0	0	5,474
Employee Benefit Contributions	62,400	0	0	65,206	0	127,606
Compensated Absences	5,768	0	0	(411)	0	5,357
Other Administrative	31,967	0	859	51,319	0	84,145
Tenant Services Other	1,271	0	0	0	0	1,271
Utilities	78,433	0	14,070	0	304	92,807
Materials and Labor	69,421	13,337	3,403	0	2,523	88,684
Contract Costs	45,452	22,546	5,200	24,767	0	97,965
General Expenses	29,617	0	2,143	6,859	0	38,619
Bad Debt Expense	3,521	0	2,275	0	0	5,796
Interest Expense	0	0	12,382	0	0	12,382
<b>Total Operating Expenses</b>	<b>457,760</b>	<b>35,883</b>	<b>45,806</b>	<b>2,984,280</b>	<b>2,827</b>	<b>3,526,556</b>
Excess Operating Revenue over Operating Expenses	8,854	395,718	1,916	4,371	8,768	419,627
Other Expenses:						
Fraud Losses	0	0	0	595	0	595
Depreciation Expense	(318,693)	(9,854)	(13,346)	(14,171)	(2,364)	(358,428)
<b>Total Other Expenses</b>	<b>(318,693)</b>	<b>(9,854)</b>	<b>(13,346)</b>	<b>(13,576)</b>	<b>(2,364)</b>	<b>(357,833)</b>
Excess (Deficiency) of Revenue Over (Under) Expenses	(309,839)	385,864	(11,430)	(9,205)	6,404	61,794
Net Assets, Beginning of the Year (Restated)	5,448,576	6,413	(163,642)	401,442	725,020	6,417,809
Net Assets, End of Year	<u>\$5,138,737</u>	<u>\$392,277</u>	<u>(\$175,072)</u>	<u>\$392,237</u>	<u>\$731,424</u>	<u>\$6,479,603</u>

The notes to the financial statements are an integral part of this statement.

**Pickaway Metropolitan Housing Authority**  
*Combining Statement of Cash Flows*  
For the Year Ended December 31, 2004

	Low Rent Public Housing	Capital Fund Program	Rural Rent Program	Section 8 Housing Choice Vouchers Program	Business Activities	Total
Cash flows from operating activities						
Cash received from tenants	\$193,481	\$0	\$32,288	\$0	\$6,778	\$232,547
Cash received from HUD	259,781	431,601	0	3,037,877	0	3,729,259
Cash received from other operating sources	8,309	0	14,266	4,125	(9,970)	16,730
Cash payments for housing assistance payments	0	0	0	(2,612,031)	0	(2,612,031)
Cash payments for administrative	(226,050)	0	(5,441)	(334,853)	26,332	(540,012)
Cash payments for operating expenses	(215,333)	(35,883)	(38,531)	(19,734)	(2,827)	(312,308)
Net cash provided by/(used for) operating activities	<u>20,188</u>	<u>395,718</u>	<u>2,582</u>	<u>75,384</u>	<u>20,313</u>	<u>514,185</u>
Cash flows from capital and related financing activities						
Change in debt balances	0	0	16,048	0	0	16,048
Acquisition of capital assets	(2,250)	(395,718)	(17,023)	(115,722)	(42,993)	(573,706)
Net cash provided by/(used for) capital and related financing activities	<u>(2,250)</u>	<u>(395,718)</u>	<u>(975)</u>	<u>(115,722)</u>	<u>(42,993)</u>	<u>(557,658)</u>
Cash flows from investing activities						
Change in investments	<u>16,311</u>	<u>0</u>	<u>16,893</u>	<u>46,882</u>	<u>0</u>	<u>80,086</u>
Net cash provided by/(used for) investing activities	<u>16,311</u>	<u>0</u>	<u>16,893</u>	<u>46,882</u>	<u>0</u>	<u>80,086</u>
Increase/(decrease) in cash and cash equivalents	34,249	0	18,500	6,544	(22,680)	36,613
Cash and cash equivalents, beginning	<u>127,890</u>	<u>0</u>	<u>6,860</u>	<u>268,234</u>	<u>294,183</u>	<u>697,167</u>
Cash and cash equivalents, ending	<u>\$162,139</u>	<u>\$0</u>	<u>\$25,360</u>	<u>\$274,778</u>	<u>\$271,503</u>	<u>\$733,780</u>

The notes to the financial statements are an integral part of this statement.

	Low Rent Public Housing	Capital Fund Program	Rural Rent Program	Section 8 Housing Choice Vouchers Program	Business Activities	Total
Cash flows from operating activities						
Net Operating Income	(\$309,839)	\$385,864	(\$11,430)	(\$9,205)	\$6,404	\$61,794
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:						
Depreciation	318,693	9,854	13,346	14,171	2,364	358,428
Changes in Operating Assets and Liabilities that Increase/(Decrease)						
Cash Flows:						
(Increase) Decrease In:						
Accounts Receivable - Tenants, net	(3,390)	0	(1,128)	0	0	(4,518)
Accounts Receivable - Fraud, net	0	0	0	(840)	0	(840)
Accounts Receivable - HUD, net	0	0	0	56,772	0	56,772
Accounts Receivable - Interest, net	(1,446)	0	0	878	2,382	1,814
Accounts Receivable - Other, net	(207)	0	(40)	(2,420)	0	(2,667)
Interprogram Due From	0	0	0	(1,039)	(17,169)	(18,208)
Prepaid Expenses	(645)	0	(73)	(631)	26,000	24,651
Inventory	(671)	0	0	(94)	0	(765)
Increase (Decrease) In:						
Accounts Payable	1,105	0	982	(605)	332	1,814
Accounts Payable - Other Governments	(1,598)	0	0	0	0	(1,598)
Accounts Payable - HUD	0	0	0	5,980	0	5,980
Interprogram Due To	11,750	0	1,141	5,317	0	18,208
Security Deposits	632	0	(199)	0	0	433
Accrued Wages and Taxes	0	0	0	3,450	0	3,450
Accrued Compensated Absences	5,769	0	0	(410)	0	5,359
Deferred Revenues and Other Liabilities	35	0	(17)	4,060	0	4,078
Total Adjustments	<u>330,027</u>	<u>9,854</u>	<u>14,012</u>	<u>84,589</u>	<u>13,909</u>	<u>452,391</u>
Net cash provided by/(used for) operating activities	<u>\$20,188</u>	<u>\$395,718</u>	<u>\$2,582</u>	<u>\$75,384</u>	<u>\$20,313</u>	<u>\$514,185</u>

**Pickaway Metropolitan Housing Authority**  
*Summary of Activity*  
*For the Year Ended December 31, 2004*

---

At the close of the fiscal year ended December 31, 2004, Pickaway Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
Low Rent Public Housing Program	108
Section 8 Housing Choice Vouchers	635
Rural Rent Housing Program	16
Total Units	<u>759</u>

---

*Prior Audit Findings*

---

No prior audit findings.



**Pickaway Metropolitan Housing Authority**  
*Actual Modernization Cost Certifications*  
*For the Year Ended December 31, 2004*

---

1 - The Actual Modernization Grant Costs are as follows:

	Project <u>OH16-PO59-501-02</u>
Funds Approved	\$216,987
Funds Expended	<u>216,987</u>
Excess/(Deficiency) of Funds Approved	<u><u>\$0</u></u>
Funds Advanced	\$216,987
Funds Expended	<u>216,987</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$0</u></u>
<u>Date Submitted</u>	<u>July 1, 2004</u>

	Project <u>OH16-PO59-501-03</u>
Funds Approved	\$178,533
Funds Expended	<u>178,533</u>
Excess/(Deficiency) of Funds Approved	<u><u>\$0</u></u>
Funds Advanced	\$178,533
Funds Expended	<u>178,533</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$0</u></u>
<u>Date Submitted</u>	<u>September 20, 2004</u>

	Project <u>OH16-PO59-502-03</u>
Funds Approved	\$35,581
Funds Expended	<u>35,581</u>
Excess/(Deficiency) of Funds Approved	<u><u>\$0</u></u>
Funds Advanced	\$35,581
Funds Expended	<u>35,581</u>
Excess/(Deficiency) of Funds Advanced	<u><u>\$0</u></u>
<u>Date Submitted</u>	<u>December 1, 2004</u>

2 - The distribution of costs as shown on the Schedule/Report of Modernization Grant Expenditures submitted to HUD for approval are in agreement with the Authority's records.

3 - All Modernization Grant Costs have been paid and all related liabilities have been discharged through payment

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **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 Commissions  
Pickaway Metropolitan Housing Authority  
Circleville, Ohio 43113

We have audited the accompanying financial statements of Pickaway Metropolitan Housing Authority (the Authority), Pickaway County, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 28, 2005. 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 Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Commissioners  
Pickaway Metropolitan Housing Authority

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*

Page 2

This report is intended solely for the information and use of management, the Board of Commissioners, 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
April 28, 2005

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Commissions  
Pickaway Metropolitan Housing Authority  
Circleville, Ohio 43113

### **Compliance**

We have audited the compliance of Pickaway Metropolitan Housing Authority (the 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, 2004. The Authority'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 program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 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 of the Authority's compliance with those requirements.

In our opinion, the Authority 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, 2004.

Board of Commissioners  
Pickaway Metropolitan Housing Authority

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Page 2

### **Internal Control Over Compliance**

The management of the 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 the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of management, the Board of Commissioners, 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.

*Balestra, Harr & Scherer, CPAs, Inc.*

Balestra, Harr & Scherer, CPAs, Inc.

April 28, 2005

**Pickaway Metropolitan Housing Authority**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*December 31, 2004*

---

**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	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	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Public Housing Capital Fund Program (CFDA #14.872) and Section 8 Housing Choice Vouchers (CFDA #14.871)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**Pickaway Metropolitan Housing Authority**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*December 31, 2004*

---

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

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
---

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

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







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**PICKAWAY METROPOLITAN HOUSING AUTHORITY  
PICKAWAY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 23, 2005**