

Pickaway Metropolitan Housing Authority

Pickaway County

Single Audit

January 1, 2005 through December 31, 2005

Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER CPAs, INC.

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**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, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 24, 2006

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Pickaway Metropolitan Housing Authority
Table of Contents
For the Year Ended December 31, 2005

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements.....	13
Schedule of Federal Awards Expenditures	20
Notes to the Schedule of Federal Awards Expenditures.....	21
Supplemental Financial Data:	
Combing Statement of Net Assets.....	22
Combing Statement of Revenues, Expenses and Changes in Net Assets.....	23
Combining Statement of Cash Flows	24
Summary of Activity	26
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>	27
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	29
Schedule of Findings and Questioned Costs OMB Circular A-33 Section .505.....	31

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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 the business-type activities of the Pickaway Metropolitan Housing Authority (the Authority), Pickaway County, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 respective financial position of the business-type activities of the Authority, as of December 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2006, on our consideration of the Authority'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 audit.

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 financial statements that collectively comprise the Authority's basic financial statements. 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.

As described in Note 11 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures".



Balestra, Harr & Scherer, CPAs, Inc.
April 27, 2006

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005**

Unaudited

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.

FINANCIAL HIGHLIGHTS

- The revenue decreased by \$(267,513) (or 6.76%) during 2005, and was \$3,690,674 and \$3,958,187 for 2005 and 2004, respectively.
- The total expenses increased by \$26,499 (or .68%). Total expenses were \$3,910,888 and \$3,884,389 for 2005 and 2004, respectively.

BASIC FINANCIAL STATEMENTS

The basic financial statements 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".

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

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

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.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005**

Unaudited

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

Low Rent Public Housing Program – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Low Rent Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the PHA 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.

Section 8 Housing Choice Voucher Program – Under the Section 8 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.

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.

Rural Rental Loan Program (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.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005**

Unaudited

BASIC FINANCIAL STATEMENTS

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

Table 1

STATEMENT OF NET ASSETS			
	2005	Restated 2004	Change
Current and other assets	\$ 1,151,388	\$ 1,270,839	\$ (119,451)
Capital assets	5,825,195	5,921,703	(96,508)
TOTAL ASSETS	<u>6,976,583</u>	<u>7,192,542</u>	<u>(215,959)</u>
			-
Current liabilities	108,192	98,024	10,168
Long-term liabilities	596,998	602,911	(5,913)
TOTAL LIABILITIES	<u>705,190</u>	<u>700,935</u>	<u>4,255</u>
Net assets:			
Invested in capital assets, net of related debt	5,276,766	5,371,573	(94,807)
Unrestricted	994,627	1,120,034	(125,407)
TOTAL NET ASSETS	<u>\$ 6,271,393</u>	<u>\$ 6,491,607</u>	<u>\$ (220,214)</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Current liabilities and long term liabilities do not reflect any significant changes in comparing the two years.

The change (decrease) in net assets for 2005 as compared to 2004 is the result of the following factors:

- 1.) There were substantially less funds drawn and expended in the Pickaway Capital Funds Program in 2005. This was primarily the result of the schedule of Capital Funds in our fiscal year 2004 that included two fiscal years of funding. The Pickaway MHA schedule of Capital Projects included only a few items from one fiscal year of funding in 2005 and thus the were substantially less Capital Funds received and expended in 2005.
- 2.) The Accounts receivable was reduced in 2005 due to the transfer of property and cash from a non profit corporation that satisfied a loan and notes to the Pickaway MHA.
- 3.) Pickaway MHA purchased two houses through their Other Business Activity, which required rehabilitation expenditures. These units are a part of the Pickaway MHA rental/ homeownership program.
- 4.) General increase in expenditures from utilities, insurance, maintenance, real estate taxes on the new properties purchased, and maintenance resulted in higher expenditures for Pickaway MHA in 2005.
- 5.) The Depreciation Expense increased in 2005.
- 6.) Pickaway MHA incurred an additional expense with its Rural Development Project. Williamsport Terrace was approved for substantial loan from Rural Development. Initially, Pickaway MHA received a direct loan from a bank, in lieu of eventual Rural Development absorption of this initial "construction loan." The first installment of this loan and subsequent interest expense resulted in an additional expense for Pickaway MHA. The full Rural Development Rehab Loan is still pending and may not proceed in 2006.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005**

Unaudited

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

TABLE 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
	2005	Restated 2004	Change
Revenues			
Tenant revenue - rents and other	\$ 255,200	\$ 237,065	\$ 18,135
Operating subsidies and grants	3,327,283	3,302,190	25,093
Capital grants	72,633	395,718	(323,085)
Investment income/other revenues	35,558	23,214	12,344
TOTAL REVENUE	3,690,674	3,958,187	(267,513)
Expenses			
Administration	544,589	577,001	(32,412)
Utilities	96,809	92,807	4,002
Maintenance	196,264	186,649	9,615
General	71,848	57,473	14,375
Housing assistance payment	2,630,885	2,612,031	18,854
Depreciation	365,146	358,428	6,718
Fraud Losses	5,347	-	5,347
TOTAL EXPENSES	3,910,888	3,884,389	26,499
NET INCREASE (DECREASE)	(220,214)	73,798	(294,012)
Net Assets, beginning of year	6,491,607	6,417,809	73,798
Net Assets, end of year	\$ 6,271,393	\$ 6,491,607	\$ (220,214)

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

There were several major factors that resulted in reduced revenue in increased expenses in 2005 as compared to 2004.

Again, revenue decreased primarily as the result of the Capital Funds Program. Pickaway MHA received \$323,085 less in Capital Funds in 2005. This reduction was the result of the scheduling of projects funded by the CFP Program. A majority of projects from the two fiscal years of HUD funding were expended in our fiscal year of 2004. Therefore, 2005 revenue was lower because the schedule of capital Projects provided for just a couple of projects that were done in 2005. HUD funding of the Capital Funds Program overlap through PHA Fiscal Years.

Specific increases in expenses in 2005 included:

- Utility costs and vehicle expenses (gasoline) increased substantially.
- Maintenance expenses increased, including the additional expense of rehabilitating two acquired properties for future homeownership.
- Insurance costs increased.
- Pickaway MHA experienced an increase in tenant debt and in depreciation expense.
- As noted in the explanation for the change in the asset schedule, Pickaway MHA experienced a new expense for loan and interest with its Williamsport Terrace Project, as a part of a Rural Development Rehab Commitment Loan.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005**

Unaudited

Capital Assets and Debt Administration

CAPITAL ASSETS

As of year end, the Authority had \$5,825,195 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$96,508 from the end of last year.

TABLE 3

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

	2005	2004	Change
Land and land rights	\$ 662,814	\$ 507,619	\$ 155,195
Buildings	9,078,054	8,981,783	96,271
Equipment - administrative	228,104	217,033	11,071
Equipment - dwellings	115,135	115,135	-
Leasehold improvements	51,465	46,523	4,942
Accumulated depreciation	19,323	18,164	1,159
Construction in progress	(4,329,700)	(3,964,554)	(365,146)
TOTAL	\$ 5,825,195	\$ 5,921,703	\$ (96,508)

The following reconciliation summarizes the change in Capital Assets.

TABLE 4

CHANGES IN CAPITAL ASSETS

BEGINNING BALANCE	\$ 5,921,703
Additions	268,638
Depreciation	(365,146)
ENDING BALANCE	\$ 5,825,195

This year's major additions are:

Capital improvements (CFP) completed on variety of the Authority's Public Housing complexes	\$ 72,633
Non-cash transaction- land (see footnotes)	155,195
Equipment, vehicles, houses and other capital assets purchased by operations	40,810
TOTAL ADDITIONS	\$ 268,638

For more information in the Authority's capital assets, See Note 3 to the basic financial statements.

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 Rural Rental Loan Program Fund (Williamsport Terrace project), a FHA project. As of December 31, 2005, the Authority had \$548,429 loan principal outstanding. See Note 9 of the notes to the basic financial statements for additional information about the Authority's long term debt.

**PICKAWAY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2005**

Unaudited

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 Kim Hartinger, Executive Director of the Pickaway Metropolitan Housing Authority at (740) 477-2514.

Respectfully submitted,

Kim Hartinger
Executive Director

Pickaway Metropolitan Housing Authority
Statement of Net Assets
December 31, 2005

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 347,086
Tenant Accounts Receivable, net of Allowance	9,370
Accounts Receivable - Other	17,271
Accrued Interest Receivable	12,013
Accounts Receivable - Fraud	9,005
Investments - Unrestricted	335,620
Inventory	8,336
Prepaid Expense	<u>13,072</u>

Total Current Assets 751,773

Non-Current Assets:

Cash and Cash Equivalents - Restricted	380,115
Nondepreciable Capital Assets	682,137
Depreciable Capital Assets, Net of Accumulated Depreciation	5,143,058
Notes, Loans & Mortgages Receivable, Non-Current	<u>19,500</u>

Total Non-Current Assets 6,224,810

TOTAL ASSETS 6,976,583

LIABILITIES

Current Liabilities:

Accounts Payable	20,622
Accounts Payable - Other Government	12,724
Accrued Wages and Payroll Taxes	18,696
Long Term Debt - Current Portion	2,000
Compensated Absences - Current Portion	34,416
Tenant Security Deposits	18,518
Deferred Revenues	205
Other Accrued Liabilities	<u>1,011</u>

Total Current Liabilities 108,192

Non-Current Liabilities:

Long Term Debt	546,429
Non-Current Liabilities - Other	34,856
Compensated Absences - Non-Current Portion	<u>15,713</u>

Total Non-Current Liabilities 596,998

Total Liabilities 705,190

NET ASSETS

Invested in Capital Assets, Net of Related Debt	5,276,766
Unrestricted	<u>994,627</u>

Total Net Assets \$ 6,271,393

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

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

OPERATING REVENUES	
Rental Income	\$ 255,200
HUD Grants	3,315,939
Other Government Grants	11,344
Fraud Recovery	<u>13,844</u>
 Total Operating Revenues	 <u>3,596,327</u>
OPERATING EXPENSES	
Housing Assistance Payments	2,630,885
Administrative Salaries	348,635
Outside Management Fees	5,674
Employee Benefit Contributions	110,005
Other Administrative	80,275
Tenant Services Other	768
Utilities	96,809
Materials and Labor	111,316
Contract Costs	84,948
General Expenses	44,907
Bad Debt Expense	14,004
Fraud Losses	5,347
Depreciation Expense	<u>365,146</u>
 Total Operating Expenses	 <u>3,898,719</u>
 Operating Loss	 <u>(302,392)</u>
NON-OPERATING REVENUES/ (EXPENSES)	
Capital Grants	72,633
Investment Income	21,714
Interest Expense	<u>(12,169)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>82,178</u>
 Change in Net Assets	 (220,214)
 Net Assets, Beginning of the Year (Restated- See Note 11)	 <u>6,491,607</u>
 Net Assets, End of Year	 <u><u>\$ 6,271,393</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, 2005

Cash flows from operating activities	
Cash received from tenants	\$279,246
Cash received from HUD	3,313,614
Cash received from other operating sources	47,054
Cash payments for housing assistance payments	(2,630,885)
Cash payments for administrative and operating expenses	<u>(921,902)</u>
Net cash provided by/(used for) operating activities	<u>87,127</u>
Cash flows from capital and related financing activities	
Change in debt balances	(1,701)
Capital Grants	72,633
Interest Expense	(12,169)
Acquisition of capital assets	<u>(113,011)</u>
Net cash provided by/(used for) capital and related financing activities	<u>(54,248)</u>
Cash flows from investing activities	
Interest Income	14,069
Change in investments	<u>(53,527)</u>
Net cash provided by/(used for) investing activities	<u>(39,458)</u>
Increase/(decrease) in cash and cash equivalents	(6,579)
Cash and cash equivalents, beginning	<u>733,780</u>
Cash and cash equivalents, ending	<u><u>\$727,201</u></u>

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

Cash flows from operating activities	
Operating Income	\$(302,392)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:	
Depreciation	365,146
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:	
(Increase) Decrease In:	
Accounts Receivable - Tenants, net	(4,228)
Accounts Receivable - Fraud, net	(3,089)
Accounts Receivable - HUD, net	(2,325)
Accounts Receivable - Other, net	38,529
Prepaid Expenses	(2,184)
Inventory	(2,306)
Increase (Decrease) In:	
Accounts Payable	8,247
Accounts Payable - Other Governments	1,033
Accounts Payable - HUD	(5,980)
Security Deposits	2,275
Accrued Wages and Taxes	526
Accrued Compensated Absences	(9,203)
Deferred Revenues and Other Liabilities	3,078
Total Adjustments	<u>389,519</u>
Net cash provided by/(used for) operating activities	<u><u>\$87,127</u></u>

Noncash Transactions:

The Authority received land valued at \$155,195 in exchange for a balance owed by a non-profit corporation.

**Pickaway Metropolitan Housing Authority
Notes to the Basic Financial Statements
Year Ended December 31, 2005**

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 a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability 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.

Pursuant to GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting”, the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Authority has chosen not to apply FASB guidance issued after November 30, 1989.

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. All interprogram balances and transactions have been eliminated in consolidation.

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 \$7,111 at December 31, 2005.

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	Capital Fund	Rural Renting Housing	Total
Due From	\$ 36,658	\$ 142	\$ -	\$ -	\$ 36,800
Due To	\$ -	\$ (18,400)	\$ (142)	\$ (18,258)	\$ (36,800)

Pickaway Metropolitan Housing Authority
Notes to the Basic Financial Statements - continued
Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

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 deposits.

Restricted Cash

Restricted cash represents amounts received for the home ownership program and tenant security deposits.

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.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$874 at December 31, 2005.

NOTE 2 - CASH AND INVESTMENTS

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.

Pickaway Metropolitan Housing Authority
Notes to the Basic Financial Statements - continued
Year Ended December 31, 2005

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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.

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

At December 31, 2005, the carrying amount of all Authority deposits was \$1,062,821. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$595,910 of the Authority's bank balance of \$1,109,610 was exposed to custodial risk as discussed above while \$513,700 was covered by Federal Deposit Insurance. The \$595,910 exposed to custodial risk was collateralized with securities held by the Authority or its agent but not in the Authority's name.

Book balances at December 31, 2005 were as follows:

	Cash	Investments	Total
Public Housing	\$ 99,606	\$ 162,670	\$ 262,276
Section 8	268,276	148,268	416,544
Rural Rental Housing	54,709	24,682	79,391
Business Activities	304,610	-	304,610
TOTAL	\$ 727,201	\$ 335,620	\$ 1,062,821

Pickaway Metropolitan Housing Authority
Notes to the Basic Financial Statements - continued
Year Ended December 31, 2005

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 fund, 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 yearend. 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 either deposits or investments on the balance sheet, based on maturity date, but are considered deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 3 - CAPITAL ASSETS

A summary of capital assets at December 31, 2005, by class is as follows:

Non-Depreciable Capital Assets	
Land	\$ 662,814
Construction in progress	19,323
Depreciable Capital Assets	
Buildings and improvements	9,078,054
Furniture and equipment - dwelling	115,135
Furniture and equipment - administrative	228,104
Leasehold improvements	51,465
Total	10,154,895
Less: accumulated depreciation	(4,329,700)
Total Capital Assets, Net	\$ 5,825,195

Depreciation expense was \$365,146 for the year ended December 31, 2005.

NOTE 4 - 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 unit leased.

Pickaway Metropolitan Housing Authority
Notes to the Basic Financial Statements - continued
Year Ended December 31, 2005

NOTE 5 - 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 – A cost-sharing multiple-employer defined benefit pension plan.
- b. The Member-Directed Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year.) Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- c. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides basic retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. The 2005 member contribution rate was 8.5 percent for members in state and local classifications. The Authority was required to contribute 13.55 percent of covered payroll during 2005. The Authority's required contributions; including the pick up portion for certain employees for the years ended December 31, 2005, 2004, and 2003 were \$99,666, \$108,636, and \$99,339, respectively. All required payments of contributions have been made through December 31, 2005.

NOTE 6 - 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, and survivor benefits as well as post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however. 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 2005 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, 2005.

Pickaway Metropolitan Housing Authority
Notes to the Basic Financial Statements - continued
Year Ended December 31, 2005

NOTE 6 - POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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 2004 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 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2005 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 7 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws. All permanent employees will earn 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, 2005, based on the vesting method \$50,129 was accrued by the Authority for unused vacation and sick time.

NOTE 8 - INSURANCE

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

NOTE 9- 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	\$	530,517

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.

Pickaway Metropolitan Housing Authority
Notes to the Basic Financial Statements - continued
Year Ended December 31, 2005

NOTE 9- LONG-TERM DEBT (CONTINUED)

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 12/31/05	\$	17,912

NOTE 10 - ACCRUED LIABILITIES

The following is the detail of accrued liabilities at December 31, 2005:

Accrued payroll and payroll taxes	\$	18,696
Accrued compensated absences - current		34,416
Other accrued liabilities		1,011
Total Accrued Liabilities	\$	<u>54,123</u>

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

For fiscal year 2005, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures." GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the Authority's financial statements.

A prior period adjustment was made to correct accounting errors made in previous years. The following is the affect on net assets:

Net assets, December 31, 2004	\$	6,479,603
HUD adjustments on Section 8 reports (Administrative Fees)		12,004
Net Assets, January 1, 2005	\$	<u>6,491,607</u>

NOTE 12 - NONCASH TRANSACTION

During the year the Other Business Activity received land valued at \$155,195 in exchange for an accounts receivable from the nonprofit corporation.

Pickaway Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

Federal Grantor/ Program Title	Federal CFDA Number	Disbursements
U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$269,506
Public Housing Capital Fund Program	14.872	99,189
Section 8 Housing Choice Vouchers	14.871	<u>3,019,877</u>
Total U.S. Department of Housing and Urban Development		3,388,572
U.S. Department of Agriculture:		
Rural Rental Housing Loans	10.415	<u>11,344</u>
Total U.S. Department of Agriculture		<u>11,344</u>
Total Federal Financial Assistance		<u><u>\$3,399,916</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, 2005

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
December 31, 2005

	Low Rent Public Housing Program	Public Housing Capital Fund	Section 8 Housing Choice Vouchers	Other Business Activities	Rural Rental Housing Loans	Interprogram Eliminations	Total Enterprise Funds
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 34,852	\$ -	\$ 268,276	\$ 36,216	\$ 7,742	\$ -	\$ 347,086
Tenant Accounts Receivable, net of Allowance	9,077	-	-	-	293	-	9,370
Accounts Receivable - Other	2,014	142	14,889	-	226	-	17,271
Accrued Interest Receivable	4,303	-	3,206	4,504	-	-	12,013
Accounts Receivable - Fraud	-	-	9,005	-	-	-	9,005
Interprogram Due From	142	-	36,658	-	-	(36,800)	-
Investments - Unrestricted	162,670	-	148,268	-	24,682	-	335,620
Inventory	5,871	-	2,465	-	-	-	8,336
Prepaid Expense	8,215	-	3,883	363	611	-	13,072
Total Current Assets	227,144	142	486,650	41,083	33,554	(36,800)	751,773
Non-Current Assets:							
Cash and Cash Equivalents - Restricted	64,754	-	-	268,394	46,967	-	380,115
Non-depreciable capital assets	449,081	-	-	194,793	38,263	-	682,137
Depreciable capital assets, net	4,561,514	86,060	28,330	201,301	265,853	-	5,143,058
Notes, Loans & Mortgages Receivable, Non-Current	-	-	-	19,500	-	-	19,500
Total Non-Current Assets	5,075,349	86,060	28,330	683,988	351,083	-	6,224,810
TOTAL ASSETS	5,302,493	86,202	514,980	725,071	384,637	(36,800)	6,976,583
LIABILITIES							
Current Liabilities:							
Accounts Payable	12,481	-	2,531	12	5,598	-	20,622
Accounts Payable - Other Government	12,724	-	-	-	-	-	12,724
Accrued Wages and Payroll Taxes	-	-	18,696	-	-	-	18,696
Interprogram Due To	18,400	142	-	-	18,258	(36,800)	-
Long Term Debt - Current Portion	-	-	-	-	2,000	-	2,000
Compensated Absences - Current Portion	20,944	-	13,472	-	-	-	34,416
Tenant Security Deposits	14,630	-	-	1,200	2,688	-	18,518
Deferred Revenues	205	-	-	-	-	-	205
Other Accrued Liabilities	-	-	-	-	1,011	-	1,011
Total Current Liabilities	79,384	142	34,699	1,212	29,555	(36,800)	108,192
Non-Current Liabilities:							
Long Term Debt	-	-	-	-	546,429	-	546,429
Non-Current Liabilities - Other	-	-	34,856	-	-	-	34,856
Compensated Absences- Non-Current Portion	10,613	-	5,100	-	-	-	15,713
Total Non-Current Liabilities	10,613	-	39,956	-	546,429	-	596,998
Total Liabilities	89,997	142	74,655	1,212	575,984	(36,800)	705,190
NET ASSETS							
Invested in Capital Assets, Net of related debt	5,010,595	86,060	28,330	396,094	(244,313)	-	5,276,766
Unrestricted Net Assets	201,901	-	411,995	327,765	52,966	-	994,627
Total Net Assets	\$ 5,212,496	\$ 86,060	\$ 440,325	\$ 723,859	\$ (191,347)	\$ -	\$ 6,271,393

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

	Low Rent Public Housing Program	Public Housing Capital Fund	Section 8 Housing Choice Vouchers	Other Business Activities	Rural Rental Housing Loans	Total Enterprise Funds
OPERATING REVENUES						
Rental Income	\$ 210,589	\$ -	\$ -	\$ 9,981	\$ 34,630	\$ 255,200
HUD Grants	269,506	26,556	3,019,877	-	-	3,315,939
Other Government Grants	-	-	-	-	11,344	11,344
Fraud Recovery	-	-	13,844	-	-	13,844
Total Operating Revenues	<u>480,095</u>	<u>26,556</u>	<u>3,033,721</u>	<u>9,981</u>	<u>45,974</u>	<u>3,596,327</u>
OPERATING EXPENSES						
Housing Assistance Payments	-	-	2,630,885	-	-	2,630,885
Administrative Salaries	136,555	-	212,080	-	-	348,635
Outside Management Fees	-	-	-	-	5,674	5,674
Employee Benefit Contributions	56,205	-	53,800	-	-	110,005
Other Administrative	30,785	-	45,530	2,901	1,059	80,275
Tenant Services Other	768	-	-	-	-	768
Utilities	81,801	-	-	1,520	13,488	96,809
Materials and Labor	81,178	9,411	-	12,177	8,550	111,316
Contract Costs	46,687	-	31,674	1,537	5,050	84,948
General Expenses	33,327	-	7,368	2,719	1,493	44,907
Bad Debt Expense	10,391	-	-	-	3,613	14,004
Fraud Losses	-	-	5,347	-	-	5,347
Depreciation Expense	326,655	6,236	13,824	5,085	13,346	365,146
Total Operating Expenses	<u>804,352</u>	<u>15,647</u>	<u>3,000,508</u>	<u>25,939</u>	<u>52,273</u>	<u>3,898,719</u>
Operating Income/(Loss)	<u>(324,257)</u>	<u>10,909</u>	<u>33,213</u>	<u>(15,958)</u>	<u>(6,299)</u>	<u>(302,392)</u>
NON-OPERATING REVENUES/(EXPENSES)						
Capital Grants	-	72,633	-	-	-	72,633
Investment Income	8,257	-	2,871	8,393	2,193	21,714
Interest Expense	-	-	-	-	(12,169)	(12,169)
Total Non-Operating Revenues/(Expenses)	<u>8,257</u>	<u>72,633</u>	<u>2,871</u>	<u>8,393</u>	<u>(9,976)</u>	<u>82,178</u>
Income/(Loss) before transfers	(316,000)	83,542	36,084	(7,565)	(16,275)	(220,214)
Transfers:						
Interprogram Operating Transfers In/(Out)	17,145	(17,145)	-	-	-	-
Equity Transfers	372,614	(372,614)	-	-	-	-
Change in Net Assets	73,759	(306,217)	36,084	(7,565)	(16,275)	(220,214)
Net Assets, Beginning of the Year (Restated- See Note 11)	<u>5,138,737</u>	<u>392,277</u>	<u>404,241</u>	<u>731,424</u>	<u>(175,072)</u>	<u>6,491,607</u>
Net Assets, End of Year	<u>\$ 5,212,496</u>	<u>\$ 86,060</u>	<u>\$ 440,325</u>	<u>\$ 723,859</u>	<u>\$ (191,347)</u>	<u>\$ 6,271,393</u>

**Pickaway Metropolitan Housing Authority
Combining Statement of Cash Flows
For the Year Ended December 31, 2005**

	Low Rent Public Housing	Public Housing Capital Fund	Section 8 Housing Choice Vouchers	Other Business Activities	Rural Rental Housing Loans	Total
Cash flows from operating activities						
Cash received from tenants	\$ 199,974	\$ -	\$ -	\$ 45,848	\$ 33,424	\$ 279,246
Cash received from HUD	269,506	26,556	3,017,552	-	-	3,313,614
Cash received from other operating sources	2,014	142	6,260	25,187	13,451	47,054
Cash payments for housing assistance payments	-	-	(2,630,885)	-	-	(2,630,885)
Cash payments for administrative and operating expenses	<u>(497,622)</u>	<u>(9,553)</u>	<u>(364,676)</u>	<u>(21,174)</u>	<u>(28,877)</u>	<u>(921,902)</u>
Net cash provided by/(used for) operating activities	<u>(26,128)</u>	<u>17,145</u>	<u>28,251</u>	<u>49,861</u>	<u>17,998</u>	<u>87,127</u>
Cash flows from capital and related financing activities						
Change in debt balances	-	-	-	-	(1,701)	(1,701)
Capital Grants	-	72,633	-	-	-	72,633
Interest Expense	-	-	-	-	(12,169)	(12,169)
Transfers From/To Other Programs	17,145	(17,145)	-	-	-	-
Acquisition of capital assets	<u>-</u>	<u>(72,633)</u>	<u>-</u>	<u>(40,378)</u>	<u>-</u>	<u>(113,011)</u>
Net cash provided by/(used for) capital and related financing activities	<u>17,145</u>	<u>(17,145)</u>	<u>-</u>	<u>(40,378)</u>	<u>(13,870)</u>	<u>(54,248)</u>
Cash flows from investing activities						
Interest Income	5,400	-	21	6,455	2,193	14,069
Change in investments	<u>(47,200)</u>	<u>-</u>	<u>(30,496)</u>	<u>-</u>	<u>24,169</u>	<u>(53,527)</u>
Net cash provided by/(used for) investing activities	<u>(41,800)</u>	<u>-</u>	<u>(30,475)</u>	<u>6,455</u>	<u>26,362</u>	<u>(39,458)</u>
Increase/(decrease) in cash and cash equivalents	(50,783)	-	(2,224)	15,938	30,490	(6,579)
Cash and cash equivalents, beginning	<u>150,389</u>	<u>-</u>	<u>270,500</u>	<u>288,672</u>	<u>24,219</u>	<u>733,780</u>
Cash and cash equivalents, ending	<u>\$99,606</u>	<u>\$ -</u>	<u>\$268,276</u>	<u>\$304,610</u>	<u>\$54,709</u>	<u>\$727,201</u>

	Low Rent Public Housing	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers Program	Other Business Activities	Rural Rental Housing Loans	Total
Cash flows from operating activities						
Operating Income	\$(324,257)	\$ 10,909	\$ 33,213	\$ (15,958)	\$ (6,299)	\$(302,392)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:						
Depreciation	326,655	6,236	13,824	5,085	13,346	365,146
Changes in Operating Assets and Liabilities that Increase/(Decrease)						
Cash Flows:						
(Increase) Decrease In:						
Accounts Receivable - Tenants, net	(5,215)	-	-	-	987	(4,228)
Accounts Receivable - Fraud, net	-	-	(3,089)	-	-	(3,089)
Accounts Receivable - HUD, net	-	-	(2,325)	-	-	(2,325)
Accounts Receivable - Other, net	(997)	(142)	(2,568)	42,322	(86)	38,529
Prepaid Expenses	(3,572)	-	1,099	363	(74)	(2,184)
Inventory	(2,247)	-	(59)	-	-	(2,306)
Increase (Decrease) In:						
Accounts Payable	3,143	-	1,227	(320)	4,197	8,247
Accounts Payable - Other Governments	1,033	-	-	-	-	1,033
Accounts Payable - HUD	-	-	(5,980)	-	-	(5,980)
Security Deposits	760	-	-	1,200	315	2,275
Accrued Wages and Taxes	-	-	526	-	-	526
Accrued Compensated Absences	(5,794)	-	(3,409)	-	-	(9,203)
Deferred Revenues and Other Liabilities	114	-	2,977	-	(13)	3,078
Total Adjustments	<u>298,129</u>	<u>6,236</u>	<u>(4,962)</u>	<u>65,819</u>	<u>24,297</u>	<u>389,519</u>
Net cash provided by/(used for) operating activities	<u>\$ (26,128)</u>	<u>\$ 17,145</u>	<u>\$ 28,251</u>	<u>\$ 49,861</u>	<u>\$ 17,998</u>	<u>\$ 87,127</u>

Noncash Transactions:

The Authority received land valued at \$155,195 in exchange for a balance owed by a non-profit corporation.

Pickaway Metropolitan Housing Authority
Summary of Activity
For the Year Ended December 31, 2005

At the close of the fiscal year ended December 31, 2005, 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	<u>16</u>
Total Units	<u><u>759</u></u>

BALESTRA, HARR & SCHERER CPAs, INC.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissions
Pickaway Metropolitan Housing Authority
Circleville, Ohio 43113

We have audited the financial statements of the business-type activities and each major fund of the Pickaway Metropolitan Housing Authority (the Authority), Pickaway County, as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 27, 2006. 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 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 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 dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

April 27, 2006

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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, 2005. The 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 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 its major federal program for the year ended December 31, 2005.

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 or fraud 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.
April 27, 2006

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

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):	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, 2005

**2. 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**

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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 3, 2006**