

Gallia Metropolitan Housing Authority

Gallia County

Single Audit

January 01, 2008 through December 31, 2008

Year Audited Under GAGAS: 2008

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

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

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Mary Taylor, CPA  
Auditor of State

Board of Commissioners  
Gallia Metropolitan Housing Authority  
381 Buck Ridge Road  
Bidwell, Ohio 45614

We have reviewed the *Independent Auditor's Report* of the Gallia Metropolitan Housing Authority, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. 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 Gallia Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 17, 2009

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**Gallia Metropolitan Housing Authority**  
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*For the Year Ended December 31, 2008*

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# BALESTRA, HARR & SCHERER CPAs, INC.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Board of Commissions  
Gallia Metropolitan Housing Authority  
Bidwell, Ohio 45614

We have audited the basic financial statements of the business-type activities of the Gallia Metropolitan Housing Authority (the Authority), Gallia CountyGallia County, as of and for the year ended December 31, 2008, 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 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 business-type activities of the Authority, as of December 31, 2008, and the 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 July 31, 2009, 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.

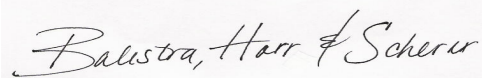
The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods 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  
Gallia Metropolitan Housing Authority  
Independent Auditor's Report

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental financial data on pages 22 through 25 are 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 on page 20 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 9 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*.



Balestra, Harr & Scherer, CPAs, Inc.  
July 31, 2009

Gallia Metropolitan Housing Authority  
Bidwell, Ohio  
Year Ended December 31, 2008  
(Unaudited)

**Management's Discussion and Analysis**

Gallia Metropolitan Housing Authority's (the Authority) Management Discussion and Analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the Authority's financial activity, 3) identify changes in the Authority's financial position (in upcoming years) and 4) identify individual program issues or concerns.

Because the Management's Discussion and Analysis 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, beginning on page 9.

**Financial Highlights**

The Authority's net assets decreased by \$231,334 during 2008. Net assets reported by the Authority were \$6,822,342 and \$7,053,676 as of December 31, 2008 and 2007, respectively.

Revenue decreased by \$77,342 from \$1,644,797 for the year ended December 31, 2007 to \$1,567,455 for the year ended December 31, 2008.

The total expenses increased by \$44,321, from \$1,749,468 for the year ended December 31, 2007 to \$1,798,789 for the year ended December 31, 2008.

**Using This Annual Report**

The Report includes the following sections:

- 1) Management's Discussion and Analysis (MD&A)
- 2) Basic Financial Statements
  - a. Statement of Net Assets
  - b. Statement of Revenues, Expenses and Changes in Net Assets
  - c. Statement of Cash Flows
  - d. Notes to Financial Statements

The focus is on the Authority as a single enterprise fund. This format will allow the user to address relevant questions, broaden a basis for comparison (year to year) and enhance the Authority's accountability.

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.

The 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):



Gallia Metropolitan Housing Authority  
Bidwell, Ohio  
Year Ended December 31, 2008  
(Unaudited)

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Net Capital Assets (net of accumulated depreciation), 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 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 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.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, investing 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 Program - The Public Housing Program allows the Authority to rent authority-owned housing units to eligible low-income families or singles. The program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides the Authority with an operating subsidy funding which allows the Authority to provide the housing at a rental rate that is based upon 30% of household income. Under this program the Authority built houses that were put in a Homeownership Program.

Houses are sold (some with the Authority taking a second mortgage) to eligible low income families. The proceeds from the sales are kept by the Authority and can be used at the discretion of the housing authority. Proceeds are invested in CDs until used and interest is added back to the CDs.

Capital Fund Program - The Capital Fund Program is the primary funding source for management improvements and physical improvements to Authority-owned property. Separate ACCs are executed for this annual allotment of funding.

Housing Choice Voucher Program - The Voucher Program allows the Authority to contract with private landlords who own property and are renting to eligible families. The Authority subsidizes the families' rent through a monthly Housing Assistance Payment (HAP) made to the landlord. The program, administered under an ACC with HUD, enables the Authority to structure contracts that set rents at 30% of household income.

Gallia Metropolitan Housing Authority  
 Bidwell, Ohio  
 Year Ended December 31, 2008  
 (Unaudited)

Basic Financial Statements

TABLE 1  
 Statement of Net Assets

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

	2008	2007
Current and Other Assets	\$1,586,213	\$1,377,322
Capital Assets, Net	5,657,838	5,911,413
Total Assets	7,244,051	7,288,735
Other Liabilities	235,987	51,374
Long-Term Liabilities	185,722	183,685
Total Liabilities	421,079	235,059
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,657,838	5,911,413
Unrestricted	1,164,504	1,142,263
Total Net Assets	<b>\$6,822,342</b>	<b>\$7,053,676</b>

**Major Factors Affecting the Statement of Net Assets**

Capital assets decreased due to depreciation expense as discussed further in Table 4. Current assets and net assets do not reflect any significant changes in comparing the two years.

Gallia Metropolitan Housing Authority  
 Bidwell, Ohio  
 Year Ended December 31, 2008  
 (Unaudited)

TABLE 2  
 Statement of Revenues, Expenses and Changes in Net Assets

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

	2008	2007
Revenues		
Tenant Revenue-Rents and Other	\$103,569	\$102,766
Operating Subsidies and Grants	1,059,644	1,057,452
Capital Grants	333,659	338,168
Investment Income/Other Revenues	70,583	146,411
Total Revenues	1,567,455	1,644,797
Expenses		
Administration	458,684	458,622
Tenant Service	172	21
Utilities	124,683	124,699
Maintenance	258,843	227,407
Protective Services	17,475	5,412
General	47,955	46,796
Housing Assistance Payment	480,832	454,911
Depreciation	410,145	431,600
Total Expenses	1,798,789	1,749,468
Change in Net Assets	(231,334)	(104,671)
Net Assets, Beginning of Year	7,053,676	7,158,347
Net Assets, End of Year	\$6,822,342	\$7,053,676

**Major Factors Affecting the Statement of Revenue, Expense and Changes in Net Assets**

Total income decreased due to an decrease in capital grants. Expenses increased slightly due to higher maintenance expenses.

Gallia Metropolitan Housing Authority  
 Bidwell, Ohio  
 Year Ended December 31, 2008  
 (Unaudited)

**Capital Assets**

As of year end the Authority had \$5,657,838 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciations) of \$253,575 from the end of last year.

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

	2008	2007
Land	\$879,069	\$879,069
Construction in Progress	1,058,437	901,867
Buildings	2,894,023	3,055,354
Building & Site Improvements	806,185	1,042,640
Vehicles	0	0
Furniture and Equipment-Dwellings	3,483	4,536
Furniture and Equipment-Administration	16,641	27,947
Total	<b>\$5,657,838</b>	<b>\$5,911,413</b>

The following reconciliation summarizes the change in Capital Assets

TABLE 4  
 Change in Capital Assets

Beginning Balance	\$5,911,413
Additions	156,570
Depreciation	(410,145)
Ending Balance	<b>\$5,567,838</b>

This year's major additions are due to Capital Improvements (CFP) completed at the Authority's Public Housing sites. See Note 3 of notes to the financial statements for additional information on the Authority's capital assets.

**Debt Administration**

As of December 31, 2008 the Authority had no debt outstanding.

Gallia Metropolitan Housing Authority  
Bidwell, Ohio  
Year Ended December 31, 2008  
(Unaudited)

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- 1) Federal funding provided by HUD
- 2) Local labor supply and demand, which can affect salary and wage rates
- 3) Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- 4) Inflationary pressure on utility rates, supplies and other costs
- 5) Market rates for rental housing
- 6) Interest rates for money invested

**Financial Contact**

The individual to be contacted regarding this report is: Zac Fosler, Executive Director Gallia Metropolitan Housing Authority. Specific request may be submitted to Mr. Fosler at 381 Buck Ridge Road, Bidwell, OH 45614. Phone: (740) 446-0251. Fax: (740) 446-6728. Email: [zfosler@galliamha.org](mailto:zfosler@galliamha.org).

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

ASSETS	
Current Assets	
Cash - Unrestricted	367,948
Cash - Tenant Security Deposits	21,226
Accounts Receivable:	
Fraud Recovery	2,931
Tenants - Dwelling Rents	21,633
Investments - Unrestricted	962,228
Inventories	24,363
Prepaid Expense	<u>13,790</u>
Total Current Assets	1,414,119
Noncurrent Assets:	
Capital Assets:	
Non-depreciable Capital Assets	1,937,506
Depreciable Capital Assets	<u>3,720,332</u>
Total Noncurrent Assets	<u>5,657,838</u>
Total Assets	<u><u>7,071,957</u></u>
Liabilities	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	14,607
Accounts Payable:	
<= 90 Days Past Due	25,346
HUD PHA Programs	
Compensated Absences	4,149
Tenant Security Deposits	<u>19,791</u>
Total Current Liabilities	<u>63,893</u>
Noncurrent Liabilities:	
Accounts Payable >=90 Days Past Due	2,804
Noncurrent Liabilities - Other	156,125
Compensated Absences	<u>26,793</u>
Total Noncurrent Liabilities	<u>185,722</u>
Total Liabilities	249,615
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,657,838
Unrestricted	<u>1,164,504</u>
Total Net Assets	<u>6,822,342</u>
Total Liabilities and Net Assets	<u><u>7,071,957</u></u>

See accompanying notes to the basic financial statements

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	ENTERPRISE FUND
Revenues	
Tenant Revenues:	
Net Tenant Rental Revenue	103,569
Total Tenant Revenue	103,569
HUD PHA Grants/Operating Grants	1,059,644
Other Revenue	16,596
Total Revenue	1,179,809
Expenses	
Administrative:	
Administrative Salaries	246,446
Auditing Fees	5,190
Employee Benefit Contributions	144,819
Compensated Absences	2,511
Other Operating	59,718
Total Administrative	458,684
Tenant Services:	
Other	172
Total Tenant Services	172
Utilities:	
Water	97,728
Electric	23,108
Gas	3,847
Total Utilities	124,683
Ordinary Maintenance & Operation	
Labor	107,071
Materials and other	63,333
Contract Costs	16,130
Protective Services-Other Contract Costs	17,475
Employee Benefit Contributions	72,309
Total Ordinary Maintenance Operation	276,318
General Expenses:	
Insurance Premiums	46,500
Interest Expense	1,215
Bad Debt - Tenant Rents	240
Total General Expenses	47,955
Other Expenses:	
Housing Assistance Payments	480,832
Depreciation Expense	410,145
Total Other Expenses	890,977
Total Operating Expenses	1,798,789
Operating Income/(Loss)	(618,980)
Nonoperating Revenues:	
Capital Grants	333,659
Investment Income-Unrestricted	53,987
Total Nonoperating Revenues	387,646
Change in Net Assets	(231,334)
Net Assets Beginning of Year	7,053,676
Total Net Assets at End of Year	6,822,342

See accompanying notes to the basic financial statements

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	ENTERPRISE FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Tenants	91,087
Receipts from operating grants	1,059,644
Other operating receipts	16,596
Housing assistance payments	(480,832)
Payments for general and administrative expense	(891,645)
Net Cash Provided By/(Used For) Operating Activities	(205,150)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest	53,987
Change in investments	(6,605)
Net Cash Provided By Investing Activities	47,382
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Grants	333,659
Change in capital assets	(156,570)
Net Cash Provided By Capital Financing Activities	177,089
Net Increase/(Decrease) In Cash and Cash Equivalents	19,321
Cash At The Beginning Of Year	369,853
Cash At End Of Year	389,174
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>	
Net Operating Income/(Loss)	(618,980)
by Operating Activities:	
Depreciation	410,146
Changes in Operating Assets and Liabilities that Increase/(Decrease)	
Cash Flows:	
(Increase) Decrease In:	-
Accounts Receivable - dwelling rent	(12,482)
Prepaid Expenses	(290)
Inventory	1,901
Increase (Decrease) In:	
Accounts Payable	5,299
Security Deposits	2,669
Accrued Wages and Taxes	4,233
Accrued Compensated Absences	2,354
Total Adjustments	3,684
Net Cash Provided By Operating Activities	(205,150)

See accompanying notes to the basic financial statements



**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**Reporting Entity**

The Gallia Metropolitan Housing Authority (GMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Gallia Metropolitan Housing Authority and the U.S. Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability 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.

**Description of Programs**

*Conventional Public Housing Program*

The Public Housing Program allows the Authority to rent Authority-owned housing units to eligible low-income families or singles. The program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides the Authority with an operating subsidy funding which allows the Authority to provide the housing at a rental rate that is based upon 30% of household income. Under this program the Authority built houses that were put in a Homeownership Program.

Houses are sold (some with the Authority taking a second mortgage) to eligible low-income families. The proceeds from the sales are kept by the Authority and can be used at the discretion of the housing authority. Proceeds are invested in CDs until used and interest is added back to the CDs.

*Capital Fund Program*

The Capital Fund Program is the primary funding source for management Improvements and physical improvements to Authority-owned property. Separate ACCs are executed for this annual allotment of funding.

*Housing Choice Voucher Program*

The Voucher Program allows the Authority to contract with private landlords who own property and are renting to eligible families. The Authority subsidizes the families' rent through a monthly Housing Assistance Payment (HAP) made to the landlord. The program, administered under an ACC with HUD, enables the Authority to structure contracts that set rents at 30% of household income.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**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. 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 elected not to apply FASB guidance issued after November 30, 1989.

**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 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 maturity of three months or less when purchased to be cash equivalents.

**Tenant Receivables-Recognition of Bad Debts**

Bad debts are recognized at the end of the year based on management's evaluation of the collectability of outstanding tenant receivable balances.

**Interprogram Due To/Due From**

At year-end, the Section 8 Voucher program has interprogram balances due to the Public Housing program in the amount of \$172,094. These interprogram balances are eliminated on the statement of net assets.

**Capital Assets**

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

Useful Lives:	
Buildings	40 years
Building & Site Improvements	15 years
Furniture & Equipment	7 years
Vehicles	5 years

Depreciation is recorded on the straight-line method.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**Capitalization of Interest**

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

**Investments**

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

**Net Assets**

Net assets represent the differences 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.

**Operating Revenues and Expenses**

Operating Revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant rental revenue, grants received from HUD and other miscellaneous revenues. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as non-operating.

**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 withdrawal-able 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 or deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
**BIDWELL, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 2-CASH AND INVESTMENTS** (Continued)

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by 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 of 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, 2008, the carrying amount of all Authority deposits was \$1,351,402. As of December 31, 2008, \$866,379, 250,000 per bank, of the Authority's bank balance of \$1,351,402 was covered by Federal Deposit Insurance, and the remaining \$485,023 was covered by pooled securities held by the pledging financial institution's trust department.

The book balances at December 31, 2008, were as follows:

	Cash	Investments	Total
Low Rent Public Housing	\$373,866	\$962,228	\$1,336,094
Section 8 Housing Vouchers	15,308	0	15,308
Total	\$389,174	\$962,228	\$1,351,402

**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 matched to a specific obligation or debt of the Authority, and must be purchased with the 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 a certificate, upon receipt of confirmation or transfer from the custodian.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
**BIDWELL, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 2-CASH AND INVESTMENTS** (Continued)

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 nonnegotiable 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 3-CAPITAL ASSETS**

A summary of property and equipment at December 31, 2008, by class is as follows:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/08</u>
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$879,069	\$0	\$0	\$879,069
Construction In Progress	<u>901,867</u>	<u>156,570</u>	<u>0</u>	<u>1,058,437</u>
Total Capital Assets Not Being Depreciated	1,780,936		0	1,937,506
Capital Assets Being Depreciated:				
Buildings	6,494,246	0	0	6,494,246
Buildings and Site Improvements	4,115,289	0	0	4,115,289
Vehicles	91,353	0	0	91,353
Furniture and Equipment-Dwelling	107,553	0	0	107,553
Furniture and Equipment-Administration	<u>198,173</u>	<u>0</u>	<u>0</u>	<u>198,173</u>
Total Capital Assets Being Depreciated	<u>11,006,614</u>	<u>0</u>	<u>0</u>	<u>11,006,614</u>
 Total Capital Assets	 <u>12,787,550</u>	 <u>156,570</u>	 <u>0</u>	 <u>12,944,120</u>
Accumulated Depreciation:				
Buildings	(3,356,891)	(161,331)	0	(3,518,222)
Building and Site Improvements	(3,154,650)	(236,454)	0	(3,391,104)
Vehicles	(91,353)	0	0	(91,353)
Furniture and Equipment-Dwelling	(103,017)	(1,054)	0	(104,071)
Furniture and Equipment-Administration	<u>(170,226)</u>	<u>(11,306)</u>	<u>0</u>	<u>(181,532)</u>
Total Accumulated Depreciation	<u>(6,876,137)</u>	<u>(410,145)</u>	<u>0</u>	<u>(7,286,282)</u>
 Net Capital Assets Being Depreciated	 <u>4,130,477</u>	 <u>(410,145)</u>	 <u>0</u>	 <u>3,720,332</u>
Net Capital Assets	<b><u>\$5,911,413</u></b>	<b><u>(\$253,575)</u></b>	<b><u>\$0</u></b>	<b><u>\$5,657,838</u></b>

**NOTE 4-ADMINISTRATIVE**

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover 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.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 5-DEFINED BENEFIT PENSION PLANS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
  - 2) 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.
  - 3) The Combined Plan (CO) – 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.
- B. OPERS provides retirement, disability, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans.

The member contribution rates were 10.0%, 9.5% and 9.0% for 2008, 2007, and 2006, respectively, for the Authority.

The employer contribution rates were 14.0%, 13.85%, and 13.70% of covered payroll for 2008, 2007, and 2006, respectively, for the Authority.

The Authority's contributions to OPERS for the years ended December 31, 2008, 2007, and 2006 were \$89,755, \$83,369, and \$70,630, respectively, which were equal to the required contributions for those years.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 6-POSTEMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

- A. 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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer's contributions are expressed as a percentage of the covered payroll of active members. In 2008, the Authority contributed at 7.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contributions allocated to the health care plan was 7.0% of covered payroll. For 2007, these percentages were 5.0% for January through June 2007 and 6.0% for July through December 2007. For 2006, this percentage was 4.5%. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$44,878, \$47,725 and \$47,066 for 2008, 2007 and 2006, respectively, which are equaled to the required contributions for the year.
- D. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**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 8 hours of sick leave per 1 month of service. Unused sick leave may be accumulated up to 120 days (960 hours). Employees will be paid for ¼ of accumulated sick leave, not to exceed 30 days (240 hours), at the time of retirement, at the employee's rate of pay at the time of retirement. All permanent employees will earn vacation hours accumulated based on length of service. Maximum accumulated vacation is no more than what is earned in 2 years, with carryover limited to one year of earned. Upon termination, any accrued vacation time will be paid to the employee with his/her final check.

At December 31, 2008, using the vested method of accrual, \$30,941 was accrued by the Authority for unused vacation time and sick time.

**NOTE 8-INSURANCE**

The Housing 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 exceeded insurance coverage during the past three years.

**NOTE 8-CONTINGENCIES**

*Grants*

The Authority received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2008.

*Litigation*

The Authority is not party to any legal proceedings.

**NOTE 9-CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the Authority implemented GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Authority; however, certain disclosures related to postemployment benefits have been modified to conform to the new reporting requirements.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Authority.



**Gallia Metropolitan Housing Authority**  
*Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2008*

Federal Grantor/ Program Title	Federal CFDA Number	Disbursements
<b>U.S. Department of Housing and Urban Development:</b>		
<i>Direct:</i>		
Public and Indian Housing	14.850a	508,514
Section 8 Housing Choice Vouchers	14.871	551,130
Public Housing Capital Fund	14.872	<u>333,659</u>
Total Direct		<u>1,393,303</u>
Total Federal Financial Assistance		<u>\$ 1,393,303</u>

See the notes to the schedule of federal awards expenditures.

Gallia Metropolitan Housing Authority  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2008*

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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.

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF NET ASSETS BY PROGRAM  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Section 8 Voucher	Public Housing	Capital Fund	ENTERPRISE FUND
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash - Unrestricted	15,308	352,640	-	367,948
Cash - Tenant Security Deposits		21,226	-	21,226
Accounts Receivable:				
Fraud Recovery	2,931	-	-	2,931
Tenants - Dwelling Rents		21,633	-	21,633
Investments - Unrestricted		962,228	-	962,228
Inventories		24,363	-	24,363
Interprogram Due From		172,094	-	172,094
Prepaid Expense	3,502	10,288	-	13,790
<b>Total Current Assets</b>	<b>21,741</b>	<b>1,564,472</b>	<b>-</b>	<b>1,586,213</b>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Non-depreciable Capital Assets	-	879,069	1,058,437	1,937,506
Depreciable Capital Assets	-	3,720,332	-	3,720,332
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>4,599,401</b>	<b>1,058,437</b>	<b>5,657,838</b>
<b>Total Assets</b>	<b>21,741</b>	<b>6,163,873</b>	<b>1,058,437</b>	<b>7,244,051</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accrued Wages/Payroll Taxes Payable	631	13,976	-	14,607
Accounts Payable:				
<= 90 Days Past Due	235	25,111	-	25,346
Compensated Absences	1,756	2,393	-	4,149
Tenant Security Deposits		19,791	-	19,791
Interprogram Due To	172,094	-	-	172,094
<b>Total Current Liabilities</b>	<b>174,716</b>	<b>61,271</b>	<b>-</b>	<b>235,987</b>
<b>Noncurrent Liabilities:</b>				
Accounts Payable >=90 Days Past Due	-	2,804	-	2,804
Noncurrent Liabilities - Other	-	156,125	-	156,125
Compensated Absences	10,779	16,014	-	26,793
<b>Total Noncurrent Liabilities</b>	<b>10,779</b>	<b>174,943</b>	<b>-</b>	<b>185,722</b>
<b>Total Liabilities</b>	<b>185,495</b>	<b>236,214</b>	<b>-</b>	<b>421,709</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	4,599,401	1,058,437	5,657,838
Unrestricted	(163,754)	1,328,258	-	1,164,504
<b>Total Net Assets</b>	<b>(163,754)</b>	<b>5,927,659</b>	<b>1,058,437</b>	<b>6,822,342</b>
<b>Total Liabilities and Net Assets</b>	<b>21,741</b>	<b>6,163,873</b>	<b>1,058,437</b>	<b>7,244,051</b>

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Section 8 Voucher	Public Housing	Capital Fund	ENTERPRISE FUND
<b>Revenues</b>				
Tenant Revenues:				
Net Tenant Rental Revenue	-	103,569	-	103,569
Total Tenant Revenue	-	103,569	-	103,569
HUD PHA Grants/Operating Grants	551,130	508,514	-	1,059,644
Other Revenue	2,223	14,373	-	16,596
Total Revenue	553,353	626,456	-	1,179,809
<b>Expenses</b>				
Administrative:				
Administrative Salaries	59,466	186,980	-	246,446
Auditing Fees	-	5,190	-	5,190
Employee Benefit Contributions	23,321	121,498	-	144,819
Compensated Absences	505	2,006	-	2,511
Other Operating	6,180	53,538	-	59,718
Total Administrative	89,472	369,212	-	458,684
Tenant Services:				
Other	-	172	-	172
Total Tenant Services	-	172	-	172
Utilities:				
Water	-	97,728	-	97,728
Electric	-	23,108	-	23,108
Gas	-	3,847	-	3,847
Total Utilities	-	124,683	-	124,683
Ordinary Maintenance & Operation				
Labor	-	107,071	-	107,071
Materials and other	-	63,333	-	63,333
Contract Costs	-	16,130	-	16,130
Protective Services-Other Contract Costs	-	17,475	-	17,475
Employee Benefit Contributions	-	72,309	-	72,309
Total Ordinary Maintenance Operation	-	276,318	-	276,318
General Expenses:				
Insurance Premiums	4,109	42,391	-	46,500
Payment in Lieu of Taxes	-	-	-	-
Interest Expense	-	1,215	-	1,215
Bad Debt - Tenant Rents	-	240	-	240
Total General Expenses	4,109	43,846	-	47,955
Other Expenses:				
Housing Assistance Payments	480,832	-	-	480,832
Depreciation Expense	-	410,145	-	410,145
Total Other Expenses	480,832	410,145	-	890,977
Total Operating Expenses	574,413	1,224,376	-	1,798,789
Operating Income/(Loss)	(21,060)	(597,920)	-	(618,980)
Nonoperating Revenues:				
Capital Grants	-	-	333,659	333,659
Investment Income-Unrestricted	-	53,987	-	53,987
Total Nonoperating Revenues	-	53,987	333,659	387,646
Other Financing Sources/(Uses)				
Transfers In	-	177,089	-	177,089
Transfers Out	-	-	(177,089)	(177,089)
Total Nonoperating Sources/Uses	-	177,089	(177,089)	-
Change in Net Assets	(21,060)	(366,844)	156,570	(231,334)
Net Assets Beginning of Year	(142,694)	6,294,503	901,867	7,053,676
Total Net Assets at End of Year	(163,754)	5,927,659	1,058,437	6,822,342

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF CASH FLOWS BY PROGRAM  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Section 8 Voucher	Public Housing	Capital Fund	ENTERPRISE FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Tenants	-	91,087	-	91,087
Receipts from operating grants	551,130	508,514	-	1,059,644
Other operating receipts	2,223	14,373	-	16,596
Housing assistance payments	(480,832)	-	-	(480,832)
Payments for general and administrative expense	(95,579)	(796,066)	-	(891,645)
Net Cash Provided By/(Used For) Operating Activities	(23,058)	(182,092)	-	(205,150)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest	-	53,987	-	53,987
Change in investments	-	(6,605)	-	(6,605)
Net Cash Provided By Investing Activities	-	47,382	-	47,382
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital Grants	-	-	333,659	333,659
Interprogram transfers	17,107	159,982	(177,089)	-
Change in capital assets	-	-	(156,570)	(156,570)
Net Cash Provided By Capital Financing Activities	17,107	159,982	-	177,089
Net Increase/(Decrease) In Cash and Cash Equivalents	(5,951)	25,272	-	19,321
Cash At The Beginning Of Year	21,259	348,594	-	369,853
Cash At End Of Year	15,308	373,866	-	389,174
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>				
Net Operating Income/(Loss)	(\$21,060)	(\$597,920)	-	(\$618,980)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:				
Depreciation	-	410,146	-	410,146
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:				
(Increase) Decrease In:				
Accounts Receivable - dwelling rent	-	(12,482)	-	(12,482)
Prepaid Expenses	191	(481)	-	(290)
Investments Unrestricted	-	0	-	-
Inventory	-	1,901	-	1,901
Increase (Decrease) In:				
Accounts Payable	(2,740)	8,039	-	5,299
Security Deposits	-	2,669	-	2,669
Accrued Wages and Taxes	47	4,186	-	4,233
Accrued Compensated Absences	504	1,850	-	2,354
Total Adjustments	(1,998)	5,682	0	3,684
Net Cash Provided By Operating Activities	<u>(23,058)</u>	<u>(182,092)</u>	<u>0</u>	<u>(205,150)</u>

**Pickaway Metropolitan Housing Authority**  
*Summary of Activity*  
*For the Year Ended December 31, 2008*

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At the close of the fiscal year ended December 31, 2008, Pickaway Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
Low Rent Public Housing Program	144
Section 8 Housing Choice Vouchers	187
Total Units	<u><u>331</u></u>

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

Members of the Board  
Gallia Metropolitan Housing Authority  
381 Buck Ridge Road  
Bidwell, Ohio 45614

We have audited the accompanying financial statements of the business-type activities of the Gallia Metropolitan Housing Authority (the Authority) as of and for the year ended December 31, 2008, and have issued our report thereon dated July 31, 2009, in which we indicated the Authority adopted Governmental Accounting Standards Board Statements No. 45 and 50. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

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

We also noted certain internal control matters that we reported to the Authority's management in a separate letter dated July 31, 2009.

Members of the Board  
Gallia Metropolitan Housing Authority  
Gallia County

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*

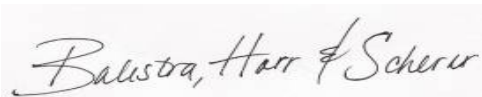
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**Compliance and Other Matters**

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, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also note a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated July 31, 2009.

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



Balestra, Harr & Scherer, CPAs, Inc.  
July 31, 2009



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

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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  
Gallia Metropolitan Housing Authority  
381 Buck Ridge Road  
Bidwell, Ohio 45614

**Compliance**

We have audited the compliance of the Gallia Metropolitan Housing Authority, Gallia County, (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 each of its major federal programs for the year ended December 31, 2008. 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 programs 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 on the Authority's compliance with those requirements.

As described in findings 2008-001 and 2008-002 in the accompanying schedule of findings and questioned cost, the Authority did not comply with the requirements regarding allowable cost/cost principles applying to the Section 8 Housing Choice Voucher Program (CFDA # 14.871) and the Low Rent Public Housing Program (CFDA # 14.850A). Compliance with this requirement is necessary, in our opinion, for the government to comply with requirements applicable these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008.

We noted a certain federal noncompliance or other matter that we reported to the Authority's management in a separate letter dated July 31, 2009.

Gallia Metropolitan Housing Authority

Gallia County

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

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### **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 Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in the Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

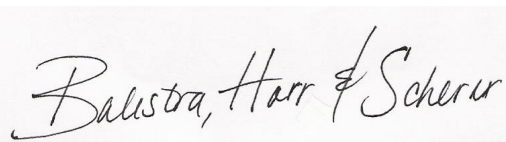
A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material noncompliance with a federal program's compliance requirements.

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

We noted certain other matters related to federal internal controls that we reported to the Authority's management in a separate letter dated July 31, 2009.

The Government's responses to the findings we identified are described in the accompanying schedule of findings and questioned cost. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management, members of the Board, 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.  
July 31, 2009

**Gallia Metropolitan Housing Authority**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*December 31, 2008*

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

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

None

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

**Finding Number 2008-001**

**Material Noncompliance/Questioned Cost – Allowable Cost and Use of Restricted funds for Administrative costs**

HUD 71 FR 52710, HUD Notice Public Housing Operating Fund Program; Guidance on Implementation of Asset Management, September 5, 2006; HUD is required to publish a notice in the Federal Register that reflects the amount that can be claimed by PHAs that elect to use a fee for service methodology for the Housing Choice Voucher programs, a management fee of up to 20% of the Administrative fee or up to \$12 per unit month per voucher leased, whichever is higher, is reasonable. The Authority is required to monitor the expenditures and use funds for specified purposes. The Authority, during the audit period, had findings from the United States Department of Housing and Urban Development for the Section 8 Housing Choice Voucher program for using restricted funds for administrative cost in the amount of \$82,000 over a three year period.

Client Response:

The Authority has made an agreement with United States Department of Housing and Urban Development to repay the required IAW funds set forth by the United States Department of Housing and Urban Development in the SEMAP results correspondence at \$1,500 per month from Administrative to Restricted.

**Finding Number 2008 – 002**

**Material Noncompliance/Questioned Cost - Allowable costs for Public Housing**

24CFR990-280 The PHA may charge each project an asset management fee that may be used to fund operations of central office in addition to project-specified costs (e.g. human resources, Executive Director's office, etc). Those costs shall be funded from the property management fees received from each property and from the asset management fees to the extent these are available. The Authority loaned, over a period of years, approximately \$168,867 to Section 8 HCV from Public Housing, of which 17,107 was during the current audit period, to cover costs for Section 8 HCV which was to be used to fund operations for Public Housing as reported by the Authority during an open meeting to their Board of Directors.

Client Response:

The Authority has made an agreement with United States Department of Housing and Urban Development to repay the funds to the Public Housing from the Section 8 Program in the amount of \$1,500 per month.



**Mary Taylor, CPA**  
Auditor of State

**GALLIA METROPOLITAN HOUSING AUTHORITY**

**GALLIA 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  
DECEMBER 31, 2009**