

Pickaway Metropolitan Housing Authority

Pickaway County, Ohio

Single Audit

January 1, 2006 through December 31, 2006

Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER CPAs, INC.

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Mary Taylor, CPA

Auditor of State

Board of Commissions
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, 2006 through December 31, 2006. 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 16, 2007

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Pickaway Metropolitan Housing Authority
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For the Year Ended December 31, 2006

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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, Ohio, as of and for the year ended December 31, 2006, 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, 2006, 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 May 3, 2007, 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 opinions 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 10 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*.



Balestra, Harr & Scherer, CPAs, Inc.
May 3, 2007

Pickaway Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(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 increased by \$11,284 (or 0.31%) during 2006, and was \$3,699,633 and \$3,688,349 for 2006 and 2005, respectively.
- The total expenses increased by \$110,159 (or 2.82%). Total expenses were \$4,021,047 and \$3,910,888 for 2006 and 2005, 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, 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: This component of 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, 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 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, capital and related financing activities, and investing activities.

Pickaway Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(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 Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidies 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.

Rural Rent 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.

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 Authority. Management contracts for non-profit elderly projects.

Section 8 Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Authority subsidizes the balance.

HOME Investment Partnership Program – Under this 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 a one-time grant passed through Pickaway County. Tenant screenings and determinations are consistent with those procedures used with the Section 8 program.

Pickaway Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

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

TABLE 1

	<u>2006</u>	<u>Restated 2005</u>	<u>Change</u>
Current and other assets	\$ 1,093,419	\$ 1,149,063	\$ (55,644)
Capital assets	5,646,645	5,825,195	(178,550)
TOTAL ASSETS	<u>6,740,064</u>	<u>6,974,258</u>	<u>(234,194)</u>
			-
Current liabilities	212,030	108,192	103,838
Long-term liabilities	580,380	596,998	(16,618)
TOTAL LIABILITIES	<u>792,410</u>	<u>705,190</u>	<u>87,220</u>
Net assets:			
Invested in capital assets, net of related debt	5,024,123	5,276,766	(252,643)
Unrestricted	923,531	992,302	(68,771)
TOTAL NET ASSETS	<u>\$ 5,947,654</u>	<u>\$ 6,269,068</u>	<u>\$ (321,414)</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

The change (decrease) in net assets for 2006 as compared to 2005 is the result of the following factors:

- 1.) The decrease in current assets was due mainly to the subsidy cuts made by HUD and a decrease in tenant rental revenue, which yielded a decrease in cash, cash equivalents, and investments.
- 2.) Pickaway Metropolitan Housing Authority purchased a house through its Other Business Activity and had rehabilitation expense and Loan expense.
- 3.) There was a general increase in expenditures: property/liability insurance, salaries and benefits, maintenance, and utilities.
- 4.) Depreciation expense increased for 2006.
- 5.) The Rural Development project (Williamsport Terrace) owned by Pickaway Metropolitan Housing Authority had a pending rehab project and loan. This project was canceled in 2006 and the loan was paid using reserves.

Pickaway Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(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 fiscal year.

	<u>2006</u>	Restated <u>2005</u>	Change
Revenues			
Tenant revenue - rents and other	\$ 215,536	\$ 255,200	\$ (39,664)
Operating subsidies and grants	3,342,856	3,324,958	17,898
Capital grants	93,730	72,633	21,097
Investment income/other revenues	47,511	35,558	11,953
TOTAL REVENUES	<u>3,699,633</u>	<u>3,688,349</u>	<u>11,284</u>
Expenses			
Administration	576,488	544,589	31,899
Utilities	96,871	96,809	62
Maintenance	232,893	196,264	36,629
General	41,461	45,675	(4,214)
Housing assistance payment	2,670,450	2,630,885	39,565
Depreciation	368,718	365,146	3,572
Interest expense	11,930	12,169	(239)
Bad debt/fraud losses	22,236	19,351	2,885
TOTAL EXPENSES	<u>4,021,047</u>	<u>3,910,888</u>	<u>110,159</u>
NET DECREASE	<u>\$ (321,414)</u>	<u>\$ (222,539)</u>	<u>\$ (98,875)</u>

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

There were several major factors that resulted in only slightly increased revenues and increased expenses in 2006 as compared to 2005.

- 1.) Revenue decreased due to subsidy cuts by HUD and reduced tenant rental revenue.
- 2.) Specific increases in expenses for 2006 included:
 - Utility costs and vehicle expense (gasoline) increased substantially
 - Maintenance expenses increased which included expenses for rehabilitating a newly purchased house
 - Insurance costs and retirement program expense increased
 - Pickaway Metropolitan Housing Authority continued to experience large tenant debt
 - Depreciation expense increased
 - The Rural Development (Williamsport Terrace) rehab project loan was paid off and 2 units were partially rehabbed

Pickaway Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$5,646,645 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$178,550 from the end of last year.

TABLE 3
 CAPITAL ASSETS AT YEAR-END
 (NET OF DEPRECIATION)

	2006	2005	Change
Land and land rights	\$ 684,414	\$ 662,814	\$ 21,600
Buildings	9,254,855	9,078,054	176,801
Equipment - administrative	228,104	228,104	-
Equipment - dwellings	120,195	115,135	5,060
Leasehold improvements	57,495	51,465	6,030
Accumulated depreciation	(4,698,418)	(4,329,700)	(368,718)
Construction in progress	-	19,323	(19,323)
TOTAL	\$ 5,646,645	\$ 5,825,195	\$ (178,550)

The following reconciliation summarizes the change in Capital Assets. See Note 3 of the notes to the basic financial statements for more information on capital assets.

TABLE 4
 CHANGE IN CAPITAL ASSETS

BEGINNING BALANCE		\$ 5,825,195
Additions		190,168
Depreciation		(368,718)
	ENDING BALANCE	\$ 5,646,645
This year's major additions are:		
Capital improvements (CFP) completed on variety of the Authority's Public Housing complexes		\$ 93,730
Equipment, vehicles, houses and other capital assets purchased by operations		96,438
	TOTAL ADDITIONS	\$ 190,168

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 Rent Housing Loans program (WilliamSPORT Terrace project), a FHA project. See Note 9 of the notes to the basic financial statements for more information on debt balances.

Pickaway Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2006
(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
As of December 31, 2006

ASSETS	
Current Assets	
Cash and cash equivalents	\$363,491
Tenant accounts receivable, net of allowance	5,971
Accounts receivable - other	18,672
Accrued interest receivable	12,984
Accounts receivable - fraud	6,458
Investments - unrestricted	161,951
Inventory	8,981
Prepaid expense	<u>24,045</u>
Total current assets	602,553
Noncurrent assets	
Cash and cash equivalents - restricted	287,734
Investments - restricted	183,632
Nondepreciable capital assets	684,414
Depreciable capital assets, net of accumulated depreciation	4,962,231
Notes, loans and mortgages receivable - noncurrent	<u>19,500</u>
Total noncurrent assets	<u>6,137,511</u>
TOTAL ASSETS	<u><u>6,740,064</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	15,031
Accounts payable - other governments	8,936
Accrued wages and payroll taxes	18,950
Long-term debt - current portion	96,629
Compensated absences - current portion	44,172
Tenant security deposits	16,475
Deferred revenue	10,853
Other accrued liabilities	<u>984</u>
Total current liabilities	212,030
Noncurrent liabilities	
Long-term debt	525,893
Noncurrent liabilities - other	24,468
Compensated absences	<u>30,019</u>
Total noncurrent liabilities	<u>580,380</u>
TOTAL LIABILITIES	<u><u>792,410</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	5,024,123
Unrestricted	<u>923,531</u>
TOTAL NET ASSETS	<u><u>\$5,947,654</u></u>

The notes to the basic financial statements are an integral part of these statements.

Pickaway Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

OPERATING REVENUES	
Rental income	\$215,536
HUD grants	3,289,584
Other government grants	53,272
Fraud recovery	5,749
Other revenues	7,822
	3,571,963
TOTAL OPERATING REVENUES	
 OPERATING EXPENSES	
Housing assistance payments	2,670,450
Administrative salaries	344,530
Outside management fees	12,184
Employee benefit contributions	93,207
Other administration	126,567
Tenant services - other	1,802
Utilities	96,871
Materials and labor	105,142
Contract costs	127,751
Protective services	2,700
General expenses	36,959
Bad debt expense	20,090
Fraud losses	2,146
Depreciation expense	368,718
	4,009,117
TOTAL OPERATING EXPENSES	
OPERATING LOSS	(437,154)
 NON-OPERATING REVENUES/(EXPENSES)	
Capital grants	93,730
Investment income	33,940
Interest expense	(11,930)
	115,740
TOTAL NON-OPERATING REVENUES/(EXPENSES)	
CHANGE IN NET ASSETS	(321,414)
NET ASSETS BEGINNING OF YEAR, RESTATED	6,269,068
NET ASSETS END OF YEAR	\$5,947,654

The notes to the basic financial statements are an integral part of these statements.

Pickaway Metropolitan Housing Authority
Statement of Cash Flows
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$218,935
Cash received from HUD	3,289,584
Cash received from other operating sources	80,059
Cash payments for housing assistance payments	(2,670,450)
Cash payments for administrative and operating expenses	(982,836)
	(64,708)
NET CASH USED BY OPERATING ACTIVITIES	
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments	(20,036)
Capital grants	93,730
Interest expense	(11,930)
Acquisition of capital assets	(190,167)
	(128,403)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	
 CASH FLOWS FROM INVESTING ACTIVITIES	
Loan proceeds	94,129
Interest income	32,969
Change in investments	(9,963)
	117,135
NET CASH PROVIDED FOR INVESTING ACTIVITIES	
 NET DECREASE IN CASH AND CASH EQUIVALENTS	
	(75,976)
 CASH AND CASH EQUIVALENTS, BEGINNING	
	727,201
 CASH AND CASH EQUIVALENTS, ENDING	
	\$651,225
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	(\$437,154)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	368,718
(Increase) decrease in:	
Accounts receivable - tenants, net	3,399
Accounts receivable - fraud, net	2,547
Accounts receivable - other, net	(1,401)
Prepaid expenses	(10,973)
Inventory	(645)
Increase (decrease) in:	
Accounts payable	(5,591)
Accounts payable - HUD	(2,326)
Accounts payable - other governments	(3,788)
Tenant security deposits	(2,043)
Accrued wages and payroll taxes	254
Accrued compensated absences	24,062
Deferred revenues	10,648
Other accrued liabilities	(10,415)
	(64,708)
NET CASH USED BY OPERATING ACTIVITIES	

The notes to the basic financial statements are an integral part of these statements.

Pickaway Metropolitan Housing Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

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 programs. 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. The Authority has no component units.

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.

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 a proprietary fund type in a single enterprise fund.

Use of Estimates

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

Cash and cash equivalents

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

Tenant Receivables – Recognition of Bad Debts

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for bad debts for tenant related receivables was \$8,825 at December 31, 2006.

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:

	Other Business Activities	Section 8 Housing Choice Vouchers	Low Rent Public Housing	Rural Rent Housing Loans	Total
Due From	\$0	\$47,306	\$0	\$0	\$47,306
Due To	(365)	0	(40,545)	(6,396)	(47,306)

Pickaway Metropolitan Housing Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

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 years
Furniture and Equipment	3 – 7 years

Depreciation is recorded using the straight-line method.

Investments

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

Restricted Cash and Investments

Restricted cash represents amounts received for the home ownership program and tenant security deposits. Restricted investments represent amounts held to be used for future purchases of homes to be rehabbed and sold to low-income or first-time home buyers.

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 \$996 at December 31, 2006.

2. CASH AND INVESTMENTS

Cash

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

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

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

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

Pickaway Metropolitan Housing Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

2. CASH AND INVESTMENTS – CONTINUED

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 a single financial institution collateral pool 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, 2006, the carrying amount of all Authority deposits was \$996,808. At December 31, 2006, \$502,395 of the Authority's bank balance of \$1,090,935 was covered by Federal Deposit Insurance. The remaining balance of \$588,540 was covered by pooled securities held by the pledging financial institution's trust department but not in the Authority's name and therefore, not subject to custodial credit risk.

Book balances at December 31, 2006 were as follows:

	Cash	Investments	Total
Low Rent Public Housing Program	\$166,851	\$60,000	\$226,851
Section 8 Housing Choice Vouchers	296,259	101,951	398,210
Rural Rental Housing Loans	38,409	0	38,409
Other Business Activities	139,071	183,632	322,703
HOME Investment Partnerships Program	10,635	0	10,635
TOTAL	\$651,225	\$345,583	\$996,808

Investments

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

Pickaway Metropolitan Housing Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

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 non-negotiable certificates of deposit are classified as investments on the statement of net assets but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

3. CAPITAL ASSETS

A summary of capital assets at December 31, 2006, by class is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$662,814	\$21,600	\$0	\$684,414
Construction in Progress	19,323	0	19,323	0
Total	682,137	21,600	19,323	684,414
CAPITAL ASSETS, BEING DEPRECIATED				
Buildings and improvements	9,078,054	176,801	0	9,254,855
Furniture and equipment - dwelling	115,135	5,060	0	120,195
Furniture and equipment - administrative	228,104	0	0	228,104
Leasehold improvements	51,465	6,030	0	57,495
Total	9,472,758	187,891	0	9,660,649
ACCUMULATED DEPRECIATION				
Land improvements	(2,404)	(105)	0	(2,509)
Buildings and improvements	(4,033,622)	(342,046)	0	(4,375,668)
Furniture and equipment - dwelling	(85,032)	(4,354)	0	(89,386)
Furniture and equipment - administrative	(191,435)	(18,581)	0	(210,016)
Leasehold improvements	(17,207)	(3,632)	0	(20,839)
Total	(4,329,700)	(368,718)	0	(4,698,418)
TOTAL CAPITAL ASSETS, NET	\$5,825,195	(\$159,227)	\$19,323	\$5,646,645

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.

Pickaway Metropolitan Housing Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

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 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 2006, member employer contribution rates were consistent across all three plans. The 2006 member contribution rate was 9 percent for members in the state and local classifications. The Authority was required to contribute 13.7 percent of covered payroll during 2006. The Authority's required contributions; including the pick up portion for certain employees for the years ended December 31, 2006, 2005 and 2004 were \$80,525, \$99,666, and \$108,636, respectively. All required payments of contributions have been made through December 31, 2006.

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. 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 2006 employer contribution rate is 13.70 percent of covered payroll, and 4.50 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

For the Year Ended December 31, 2006

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, not to exceed a 12 percent corridor. The investment assumption rate for 2005 was 6.50 percent. An annual increase of 4.00 percent, compounded annually, is the base portion of the individual 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 0.50 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

OPEBs are advanced-funded on an actuarially determined basis. At year-end 2006, the number of active contributing participants in the Traditional and Combined Plans totaled 369,214. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2006 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$31.3 billion and \$20.2 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 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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, 2006, based on the vesting method \$74,191 was accrued by the Authority for unused vacation and sick time.

8. INSURANCE

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

9. LONG-TERM DEBT

The Authority manages a multiple family housing project funded by the Department of Agriculture under their rural housing service. The following is a summary of activity occurring during 2006:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Mortgage					
Issued May 10, 1985					
Interest Rate 11.875%	\$530,517	\$0	\$2,124	\$528,393	\$2,500

Pickaway Metropolitan Housing Authority

Notes to the Basic Financial Statements

For the Year Ended December 31, 2006

9. LONG-TERM DEBT – CONTINUED

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

During the year the Authority paid off a loan with Savings Bank for architect fees for the rehabilitation work for Williamsport Terrace. The following is a summary of activity occurring during 2006:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Loan					
Issued March 12, 2004					
Interest Rate 5.450%	\$17,912	\$0	\$17,912	\$0	\$0

During the year the Authority borrowed \$94,129 to purchase 266 Meadow Drive. The loan was from The Citizens Bank of Ashville.

Maximum loan authorized	\$94,129
Date of Loan	November 8, 2006
Interest rate	7.494%
Unpaid principal	\$94,129
Maturity date	March 23, 2007

10. PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLES

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

Net assets, December 31, 2005	\$6,271,393
HUD adjustments on Section 8 reports (administrative fees)	<u>(2,325)</u>
Net assets, January 1, 2006	<u><u>\$6,269,068</u></u>

For the fiscal year 2006, the Authority implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have an effect on the basic financial statements, nor did their implementation require a restatement of prior year net assets.

11. OFFICE OF INSPECTOR GENERAL AUDIT

The Office of Inspector General (OIG) audited the Pickaway Metropolitan Housing Authority's activities with its related nonprofit organization. The Authority was selected because of the high-risk indicators of nonprofit development activities. It was determined by OIG that the Authority improperly loaned nearly \$256,000 in 5(h) Homeownership Plan sales proceeds to its nonprofit. The loans were not approved by HUD. HUD outlined recommendations and the Authority followed up with a response letter. As of December 31, 2006, the Authority and HUD were working out the final details of their agreement.

12. SUBSEQUENT EVENT

The Authority issued a loan in 2006 (see Note 9 for additional information) that was paid off in March 2007.

Pickaway Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2006

Federal Grantor/ Program Title	Federal CFDA Number	Disbursements
U.S. Department of Housing and Urban Development:		
<i>Direct:</i>		
Public and Indian Housing	14.850a	\$283,830
Section 8 Housing Choice Vouchers	14.871	3,007,278
Public Housing Capital Fund	14.872	<u>122,206</u>
Total Direct		3,413,314
<i>Passed through Pickaway County:</i>		
HOME Investment Partnerships Program	14.239	<u>35,765</u>
Total U.S. Department of Housing and Urban Development		3,449,079
U.S. Department of Agriculture:		
<i>Direct:</i>		
Rural Rental Housing Loans	10.415	<u>17,507</u>
Total U.S. Department of Agriculture		<u>17,507</u>
Total Federal Financial Assistance		<u><u>\$3,466,586</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, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pickaway Metropolitan Housing Authority
Combining Statement of Net Assets
As of December 31, 2006

	Other Business Activities	Rural Rent Housing Loans	Home Investment Partnerships Program
ASSETS			
Current Assets			
Cash and cash equivalents	\$0	\$0	\$0
Tenant accounts receivable, net of allowance	0	886	0
Accounts receivable - other	0	0	0
Accrued interest receivable	7,427	0	0
Accounts receivable - fraud	0	0	0
Investments - unrestricted	0	0	0
Interprogram due from	0	0	0
Inventory	0	0	0
Prepaid expense	693	1,126	0
Total current assets	8,120	2,012	0
Noncurrent assets			
Cash and cash equivalents - restricted	139,071	38,409	10,635
Investments - restricted	183,632	0	0
Non-depreciable capital assets	216,393	18,940	0
Depreciable capital assets, net of accumulated depreciation	267,744	271,755	0
Notes, loans and mortgages receivable - noncurrent	19,500	0	0
Total noncurrent assets	826,340	329,104	10,635
TOTAL ASSETS	\$834,460	\$331,116	\$10,635
LIABILITIES			
Current liabilities			
Accounts payable	\$1,188	\$1,364	\$0
Accounts payable - other governments	0	0	0
Accrued wages and payroll taxes	0	0	0
Long-term debt - current portion	94,129	2,500	0
Compensated absences - current portion	0	0	0
Interprogram due to	365	6,396	0
Tenant security deposits	550	2,240	0
Deferred revenue	0	167	10,635
Other accrued liabilities	0	984	0
Total current liabilities	96,232	13,651	10,635
Noncurrent liabilities			
Long-term debt - noncurrent portion	0	525,893	0
Noncurrent liabilities - other	0	0	0
Compensated absences - noncurrent portion	0	0	0
Total noncurrent liabilities	0	525,893	0
TOTAL LIABILITIES	96,232	539,544	10,635
NET ASSETS			
Invested in capital assets, net of related debt	390,008	(237,698)	0
Unrestricted net assets	348,220	29,270	0
TOTAL NET ASSETS	\$738,228	(\$208,428)	\$0

Section 8				
Low Rent Public Housing Program	Housing Choice Vouchers	Public Housing Capital Fund	Interprogram Eliminations	Total
\$67,232	\$296,259	\$0	\$0	\$363,491
5,085	0	0	0	5,971
4,403	14,269	0	0	18,672
4,900	657	0	0	12,984
0	6,458	0	0	6,458
60,000	101,951	0	0	161,951
0	47,306	0	(47,306)	0
6,542	2,439	0	0	8,981
16,020	6,206	0	0	24,045
164,182	475,545	0	(47,306)	602,553
99,619	0	0	0	287,734
0	0	0	0	183,632
449,081	0	0	0	684,414
4,237,061	16,048	169,623	0	4,962,231
0	0	0	0	19,500
4,785,761	16,048	169,623	0	6,137,511
\$4,949,943	\$491,593	\$169,623	(\$47,306)	\$6,740,064
\$10,481	\$1,998	\$0	\$0	\$15,031
8,936	0	0	0	8,936
0	18,950	0	0	18,950
0	0	0	0	96,629
25,921	18,251	0	0	44,172
40,545	0	0	(47,306)	0
13,685	0	0	0	16,475
51	0	0	0	10,853
0	0	0	0	984
99,619	39,199	0	(47,306)	212,030
0	0	0	0	525,893
0	24,468	0	0	24,468
15,781	14,238	0	0	30,019
15,781	38,706	0	0	580,380
115,400	77,905	0	(47,306)	792,410
4,686,142	16,048	169,623	0	5,024,123
148,401	397,640	0	0	923,531
\$4,834,543	\$413,688	\$169,623	\$0	\$5,947,654

Pickaway Metropolitan Housing Authority
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

	Other Business Activities	Rural Rent Housing Loans	Home Investment Partnerships Program
OPERATING REVENUES			
Rental income	\$13,258	\$27,043	\$0
HUD grants	0	0	0
Other government grants	0	17,507	35,765
Fraud recovery	0	0	0
Other revenues	7,822	0	0
TOTAL OPERATING REVENUES	21,080	44,550	35,765
OPERATING EXPENSES			
Housing assistance payments	0	0	0
Administrative salaries	2,328	0	0
Outside management fees	0	5,784	6,400
Employee benefit contributions	0	0	0
Other administration	1,026	1,609	29,365
Tenant services - other	0	0	0
Utilities	475	13,906	0
Materials and labor	4,236	1,959	0
Contract costs	1,430	13,111	0
Protective services	0	0	0
General expenses	3,461	1,222	0
Bad debt expense	0	545	0
Fraud losses	0	0	0
Depreciation expense	7,806	14,010	0
TOTAL OPERATING EXPENSES	20,762	52,146	35,765
OPERATING INCOME (LOSS)	318	(7,596)	0
NON-OPERATING REVENUES/(EXPENSES)			
Capital grants	0	0	0
Investment income	14,051	2,445	0
Interest expense	0	(11,930)	0
TOTAL NON-OPERATING REVENUES/(EXPENSES)	14,051	(9,485)	0
INCOME (LOSS) BEFORE TRANSFERS	14,369	(17,081)	0
TRANSFERS			
Interprogram Operating Transfers In (Out)	0	0	0
CHANGE IN NET ASSETS	14,369	(17,081)	0
NET ASSETS BEGINNING OF YEAR, RESTATED	723,859	(191,347)	0
NET ASSETS END OF YEAR	\$738,228	(\$208,428)	\$0

Low Rent Public Housing Program	Section 8 Housing Choice Vouchers	Public Housing Capital Fund	Total
\$175,235	\$0	\$0	\$215,536
253,830	3,007,278	28,476	3,289,584
0	0	0	53,272
0	5,749	0	5,749
0	0	0	7,822
429,065	3,013,027	28,476	3,571,963
0	2,670,450	0	2,670,450
119,288	222,914	0	344,530
0	0	0	12,184
46,800	46,407	0	93,207
40,004	54,221	342	126,567
1,802	0	0	1,802
82,490	0	0	96,871
94,596	0	4,351	105,142
61,942	32,485	18,783	127,751
2,700	0	0	2,700
26,079	6,197	0	36,959
19,545	0	0	20,090
0	2,146	0	2,146
324,453	12,282	10,167	368,718
819,699	3,047,102	33,643	4,009,117
(390,634)	(34,075)	(5,167)	(437,154)
0	0	93,730	93,730
7,681	9,763	0	33,940
0	0	0	(11,930)
7,681	9,763	93,730	115,740
(382,953)	(24,312)	88,563	(321,414)
5,000	0	(5,000)	0
(377,953)	(24,312)	83,563	(321,414)
5,212,496	438,000	86,060	6,269,068
\$4,834,543	\$413,688	\$169,623	\$5,947,654

Pickaway Metropolitan Housing Authority
Combining Statement of Cash Flows
For the Year Ended December 31, 2006

	Other Business Activities	Rural Rent Housing Loans	Home Investment Partnerships Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tenants	\$13,258	\$26,450	\$0
Cash received from HUD	0	0	0
Cash received from other operating sources	9,244	17,900	46,400
Cash payments for housing assistance payments	0	0	0
Cash payments for administrative and operating expenses	(13,817)	(55,223)	(35,765)
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	8,685	(10,873)	10,635
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments	0	(20,036)	0
Capital grants	0	0	0
Interest expense	0	(11,930)	0
Transfers from/to other program	0	0	0
Acquisition of capital assets	(95,849)	(588)	0
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(95,849)	(32,554)	0
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan proceeds	94,129	0	0
Interest income	11,128	2,445	0
Change in investments	(183,632)	24,682	0
NET CASH PROVIDED FOR INVESTING ACTIVITIES	(78,375)	27,127	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(165,539)	(16,300)	10,635
CASH AND CASH EQUIVALENTS, BEGINNING	304,610	54,709	0
CASH AND CASH EQUIVALENTS, ENDING	\$139,071	\$38,409	\$10,635
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$318	(\$7,596)	\$0
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities			
Depreciation	7,806	14,010	0
(Increase) decrease in:			
Tenant accounts receivable, net	0	(593)	0
Accounts receivable - fraud, net	0	0	0
Accounts receivable - other, net	0	226	0
Prepaid expenses	(330)	(515)	0
Inventory	0	0	0
Increase (decrease) in:			
Accounts payable	1,176	(4,234)	0
Accounts payable - HUD	0	0	0
Accounts payable - other governments	0	0	0
Tenant security deposits	(650)	(448)	0
Accrued wages and payroll taxes	0	0	0
Accrued compensated absences	0	0	0
Deferred revenues	0	167	10,635
Other accrued liabilities	0	(27)	0
Interprogram due to/from	365	(11,863)	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$8,685	(\$10,873)	\$10,635

Low Rent Public Housing Program	Section 8 Housing Choice Vouchers	Public Housing Capital Fund	Total
\$179,227	\$0	\$0	\$218,935
253,830	3,007,278	28,476	3,289,584
(218)	6,591	142	80,059
0	(2,670,450)	0	(2,670,450)
(480,348)	(374,065)	(23,618)	(982,836)
(47,509)	(30,646)	5,000	(64,708)
0	0	0	(20,036)
0	0	93,730	93,730
0	0	0	(11,930)
5,000	0	(5,000)	0
0	0	(93,730)	(190,167)
5,000	0	(5,000)	(128,403)
0	0	0	94,129
7,084	12,312	0	32,969
102,670	46,317	0	(9,963)
109,754	58,629	0	117,135
67,245	27,983	0	(75,976)
99,606	268,276	0	727,201
\$166,851	\$296,259	\$0	\$651,225
(\$390,634)	(\$34,075)	(\$5,167)	(\$437,154)
324,453	12,282	10,167	368,718
3,992	0	0	3,399
0	2,547	0	2,547
(64)	(1,705)	142	(1,401)
(7,805)	(2,323)	0	(10,973)
(671)	26	0	(645)
(2,000)	(533)	0	(5,591)
(2,326)	0	0	(2,326)
(3,788)	0	0	(3,788)
(945)	0	0	(2,043)
0	254	0	254
10,145	13,917	0	24,062
(154)	0	0	10,648
0	(10,388)	0	(10,415)
22,288	(10,648)	(142)	0
(\$47,509)	(\$30,646)	\$5,000	(\$64,708)

Pickaway Metropolitan Housing Authority
Summary of Activity
For the Year Ended December 31, 2006

At the close of the fiscal year ended December 31, 2006, 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>

Pickaway Metropolitan Housing Authority
Actual Modernization Cost Certification
For the Year Ended December 31, 2006

1 - The Actual Modernization Grant Costs are as follows:

	Project OH16-PO59-501-04
Funds Approved	\$204,645
Funds Expended	204,645
Excess/(Deficiency) of Funds Approved	\$0
Funds Advanced	\$204,645
Funds Expended	204,645
Excess/(Deficiency) of Funds Advanced	\$0
Date Submitted	September 29, 2006

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

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

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Independent Auditor's Report on Internal Control Combined Report Applicable to Internal Control Over Financial Reporting Based on an Audit of Financial Statements and Internal Control Over Compliance for HUD-Assisted Programs

Board of Commissions
Pickaway Metropolitan Housing Authority
Circleville, Ohio 43113

We have audited the financial statements of the business-type activities of Pickaway Metropolitan Housing Authority (the Authority), Pickaway County, Ohio, as of and for the year ended December 31, 2006, and have issued our report thereon dated May 3, 2007, in which we indicated the Authority implemented Governmental Accounting Standards Board Statements No. 42, 46, and 47. We have also audited the Authority's compliance with requirements applicable to major HUD-assisted programs and have issued our report thereon dated May 3, 2007.

We conducted our audit 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 the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Authority complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of the Authority is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the Authority's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a major HUD-assisted program in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting and internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer a HUD-assisted program such that there is more than a remote likelihood that (a) a misstatement of the entity's financial statements, or (b) noncompliance with applicable requirements of a HUD-assisted program, that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements, or (b) material noncompliance with applicable requirements of a HUD-assisted program, will not be prevented or detected.

Board of Commissioners
Pickaway Metropolitan Housing Authority

Independent Auditor's Report on Internal Control
Combined Report Applicable to Internal Control Over Financial Reporting Based on an Audit of Financial
Statements and Internal Control Over Compliance for HUD-Assisted Programs
Page 2

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, members of the Board, the Department of Housing and Urban Development, 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.
May 3, 2007

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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 the Pickaway Metropolitan Housing Authority, Pickaway County, Ohio, (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, 2006. 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 on 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, 2006.

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, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

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

This report is intended solely for the information and use of the management, members of the Board, the Department of Housing and Urban Development, 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.
May 3, 2007

Pickaway Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
December 31, 2006

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, 2006

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
JULY 26, 2007**