

Pike Metropolitan Housing Authority
Basic Financial Statements
For the Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Pike Metropolitan Housing Authority
2626 Shyville Rd.
Piketon, OH 45661-9746

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

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 5, 2005

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PIKE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

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Independent Auditors' Report

Board of Directors
Pike Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying Basic Financial Statements of Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These Basic Financial Statements are the responsibility of the Pike Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these Basic Financial Statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the Basic Financial Statements referred to above present fairly, in all material respects, the financial position of Pike Metropolitan Housing Authority, Ohio, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of January 1, 2004. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 4, 2005, on my consideration of Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my 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. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the Basic Financial Statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Pike Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the Basic Financial Statements. The combining financial data schedule ("FDS") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are 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 my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

August 4, 2005

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

UNAUDITED

The Pike 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 position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$38,247 (or 2 %) during 2004, resulting from change from operations. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$4,344,876 and \$4,306,629 for 2003 and 2004 respectively.
- The Authority's total assets at December 31, 2004 were \$6,541,331 representing an increase of \$156,304 from December 31, 2003.
- Revenues increased by \$124,684 (or 5.0%) during 2004, and were \$3,019,134 and \$3,143,818 for 2003 and 2004 respectively.
- The total expenses of all Authority programs increased by \$125,808 (or 5%). Total expenses were \$3,018,759 and \$3,144,567 for 2003 and 2004 respectively.

USING THIS ANNUAL REPORT

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

<p>MD&A ~Management's Discussion and Analysis ~</p>
--

<p>Basic Financial Statement ~Authority Financial Statements ~</p>

<p>Other Required Supplementary Information ~Required Supplementary Information ~ (other than the MD&A)</p>
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PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

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Authority Financial Statements

The Authority financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority. The financial information reported within this report combines the Pike Metropolitan Housing Authority (Primary Government) and Emmitt Station (Component Unit).

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 know 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 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:

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

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related or Debt", or "Restricted Net Assets".

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

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

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fund Financial Statements

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

Business Activities - Pike Metropolitan Housing Authority owns several rental properties. These properties are not related to the HUD funded activities that is why it is reported as a business activity.

State and Local Funds - The state and local funds represent the Authority contracts with the Ohio Housing Finance Agency for construction of four residential housing facilities located at 199 Delay Drive in Piketon, Ohio.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Emmitt Station Limited Partnership (Component Unit) - The Partnership was formed in April 1989, under the laws of the State of Ohio, for the purpose of constructing and operating a 40-unit apartment community ("Emmitt Station") located in Waverly, Ohio. The community is financed by a U.S.D.A., Rural Housing Service Section 515 Loan, and therefore is regulated by Rural Housing Service as to rent charges and operating methods. The apartment community began operation in September 1989. Pike Metropolitan Housing Authority is the General Partner of the Partnership and is the managing agent.

AUTHORITY STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1
STATEMENT OF NET ASSETS**

	<u>2004</u>	<u>RESTATED</u> <u>2003</u>
Current and Other Assets	\$ 939,869	\$ 918,332
Capital Assets	5,601,462	5,466,695
Total Assets	<u>\$ 6,541,331</u>	<u>\$ 6,385,027</u>
Current Liabilities	\$ 252,994	\$ 126,071
Long-Term Liabilities	1,981,708	1,914,080
Total Liabilities	<u>2,234,702</u>	<u>2,040,151</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	3,640,962	3,614,330
Restricted Net Assets	-	-
Unrestricted Net Assets	665,667	730,546
Total Net Assets	<u>4,306,629</u>	<u>4,344,876</u>
Total Liabilities and Net Assets	<u>\$ 6,541,331</u>	<u>\$ 6,385,027</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Major Factors Affecting the Statement of Net Assets

During 2004, current and other assets increased by \$21,537, and total liabilities increased by \$194,551. The current and other assets, primarily cash, increased due to the result of current year operation.

The increase in current year liabilities is the result of debt issued during the fiscal year, a payable to HUD of \$60,065 for over advancement received for the Housing Choice Voucher Program, and an increase in current year compensated absences payable of \$27,337.

Capital assets also changed, increasing from \$5,466,695 to \$5,601,462. The \$134,767 increase may be contributed primarily to a combination of net acquisitions \$447,993, less current year depreciation and amortization \$313,226. For more detail see "Capital Assets" below.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Table 2 presents details on the change in Unrestricted Net Assets

Beginning Balance - December 31, 2003	\$	730,546
Results of Operation		(58,070)
Adjustments:		
Current year Depreciation Expense (1)		313,226
Capital Expenditure net of retirements (2)		(429,916)
Proceeds from debt issued, net of current retirement		<u>109,881</u>
Ending Balance - December 31, 2004	\$	<u><u>665,667</u></u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets
- (2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

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While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only Business-Type Activities.

	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 385,408	\$ 433,182
Operating Subsidies	2,397,403	2,443,145
Capital Grants	57,321	88,682
Other Government Grants	218,424	-
Investment Income	6,673	9,814
Other Revenues	<u>78,589</u>	<u>44,311</u>
Total Revenues	<u>3,143,818</u>	<u>3,019,134</u>
<u>Expenses</u>		
Administrative	492,172	456,806
Tenant Services	2,326	1,601
Utilities	96,471	89,132
Maintenance	255,956	229,433
General and Interest Expenses	197,796	188,271
Housing Assistance Payments	1,786,620	1,788,210
Depreciation	<u>313,226</u>	<u>265,306</u>
Total Expenses	<u>3,144,567</u>	<u>3,018,759</u>
Net Increases (Decreases)	\$ <u>(749)</u>	\$ <u>375</u>

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE,
EXPENSES AND CHANGES IN NET ASSETS**

Tenant revenue, Operating Subsidies and Capital Grants decreased slightly during 2004 in comparison to 2003. Over all total revenue increased due to grant received from Ohio Housing Finance Agency for construction of four residential housing facilities located at 199 Delay Drive in Piketon, Ohio.

The expenses increased modestly by \$125,808 as compared to prior year. The main increase was an increase of \$47,920 for depreciation expense.

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$5,601,462 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (current purchases less depreciation) of \$134,767 or 3% from the end of last year.

TABLE 4

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

	<u>2004</u>	<u>2003</u>
Land	\$ 1,094,596	\$ 1,120,595
Buildings	7,913,710	7,262,004
Equipment	389,272	420,286
Leasehold Improvements	82,199	-
Construction in Progress	80,670	307,823
Accumulated Depreciation	<u>(3,958,985)</u>	<u>(3,644,013)</u>
Total	<u>\$ 5,601,462</u>	<u>\$ 5,466,695</u>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 25 of the notes.

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004

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TABLE 5

**CHANGE IN CAPITAL ASSETS
(IN MILLIONS)**

Beginning Balance - December 31, 2003	\$	5,466,695
Adjustment to Beginning balance for Accumulated Depreciation		(39,244)
Current year Additions		499,347
Disposal of Assets		(12,110)
Current year Depreciation Expense		<u>(313,226)</u>
Ending Balance - December 31, 2004	\$	<u><u>5,601,462</u></u>

The current year additions represent costs of purchase of land and the construction of four homes at Delay Drive.

Debt Outstanding

As of year-end, the Authority has \$1,960,500 in debt (mortgages) outstanding compared to \$1,852,365 last year. The \$108,135 increase was a result of new loan for the construction of the four properties at Delay Drive, net of current year debt retirement.

TABLE 6

CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance - December 31, 2003	\$	1,852,365
Current Year Loan Borrowing		163,000
Adjustment to Properly State Beginning Balance		(1,846)
Current Year Principal Payments		<u>(53,019)</u>
Ending Balance - December 31, 2004	\$	<u><u>1,960,500</u></u>

PIKE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to 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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Gary Roberts, Executive Director of the Pike Metropolitan Housing Authority, at (740) 289-4534. Specific requests may be submitted to the Pike Metropolitan Housing Authority at 2626 Shyville Road, Piketon, Ohio 45661.

Pike Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Totals	Component Units
ASSETS		
Current assets		
Cash and cash equivalents	\$268,483	\$25,714
Investments	531,738	92,655
Receivables, net	4,841	2,536
Inventories, net	5,981	0
Prepaid expenses and other assets	5,971	1,950
Total current assets	817,014	122,855
Noncurrent assets		
Capital assets:		
Land	1,044,696	49,900
Building and equipment	6,825,672	1,559,509
Construction in Progress	80,670	0
Less accumulated depreciation	(3,121,546)	(837,439)
Total noncurrent assets	4,829,492	771,970
Total assets	\$5,646,506	\$894,825
LIABILITIES		
Current liabilities		
Accounts payable	\$12,619	\$2,773
Accrued liabilities	43,549	2,129
Intergovernmental payables	70,638	15,305
Tenant security deposits	17,718	10,387
Bonds, notes, and loans payable	50,491	4,887
Other current liabilities	22,498	0
Total current liabilities	217,513	35,481

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Pike Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2004**

	Totals	Component Units
Noncurrent liabilities		
Bonds, notes, and loans payable	760,578	1,144,544
Accrued compensated absences non-current	18,228	0
Noncurrent liabilities - other	0	58,358
Total noncurrent liabilities	778,806	1,202,902
Total liabilities	\$996,319	\$1,238,383
 NET ASSETS		
Invested in capital assets, net of related debt	\$4,018,423	(\$377,461)
Unrestricted net assets	631,764	33,903
Total net assets	\$4,650,187	(\$343,558)

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

Pike Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Totals	Component Units
OPERATING REVENUES		
Tenant Revenue	\$235,429	\$149,979
Government operating grants	2,560,403	55,424
Other revenue	70,169	3,420
Total operating revenues	2,866,001	208,823
OPERATING EXPENSES		
Administrative	461,404	30,768
Tenant services	2,326	0
Utilities	82,750	13,721
Maintenance	229,772	26,184
General	42,933	18,523
Housing assistance payment	1,786,620	0
Depreciation	255,388	57,838
Total operating expenses	2,861,193	147,034
Operating income (loss)	4,808	61,789
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	5,833	840
Miscellaneous revenue	5,000	0
Interest expense	(35,184)	(101,156)
Total nonoperating revenues (expenses)	(24,351)	(100,316)
Income (loss) before contributions and transfers	(19,543)	(38,527)
Capital grants	57,321	0
Change in net assets	37,778	(38,527)
Total net assets - beginning	4,649,907	(305,031)
Prior period adjustment	(37,498)	0
Total net assets - ending	\$4,650,187	(\$343,558)

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Pike Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2004**

	Totals	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating grants received	\$2,560,403	\$55,424
Tenant revenue received	235,429	149,979
Other revenue received	70,169	3,420
General and administrative expenses paid	(721,507)	(89,514)
Housing assistance payments	(1,786,620)	0
Net cash provided (used) by operating activities	357,874	119,309
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	5,833	840
Transfer (to)/from Investments	310,987	(896)
Net cash provided (used) by investing activities	316,820	(56)
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Loan proceeds received	163,000	0
Capital grant funds received	57,321	0
Debt principal payment	(48,551)	(4,468)
Interest paid on debt	(35,184)	(101,156)
Proceeds from Sale of Assets	5,000	0
Property and equipment purchased	(494,213)	(5,134)
Net cash provided (used) by capital and related activities	(524,397)	(106,290)
Net increase (decrease) in cash	150,297	12,963
Prior Period Adjustment Effecting Cash		
Cash and cash equivalents - Beginning of year	118,186	12,751
Cash and cash equivalents - End of year	\$268,483	\$25,714

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Pike Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2004**

	Totals	Component Units
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	\$4,808	\$61,789
Activities		
- Depreciation	255,388	57,838
- (Increases) Decreases in Accounts Receivable	11,466	700
- (Increases) Decreases in Prepaid Assets	(1,769)	(725)
- (Increases) Decreases in Inventory	1,272	0
- Increases (Decreases) in Accounts Payable	5,745	220
- Increases (Decreases) in Accounts Payable - Intergovernmental	75,302	0
- Increases (Decreases) in Accrued Expenses Payable	(9,479)	0
- Increases (Decreases) in Deferred Revenue	(23)	0
- Increases (Decreases) in Other Current Liabilities	22,498	0
- Increases (Decreases) in Other Noncurrent Liabilities	(20,796)	0
- Increases (Decreases) in Accrued Compensated Absences	12,417	0
- Increases (Decreases) in Tenant Security Deposits	1,045	(513)
Net cash provided by operating activities	\$357,874	\$119,309

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Pike Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

Reporting Entity

The Pike Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying Basic Financial Statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

The accompanying financial statements present the Authority's primary government and Emmitt Station Limited Partnership, component unit, which the Authority exercises significant control.

Component Units

The component unit is reported in the Authority financial statements as shown below:

Discretely Presented Component Unit
Emmitt Station Limited Partnership

Brief Description and Relationship
The Partnership was formed in April 1989, under the laws of the State of Ohio, for the purpose of constructing and operating a 40-unit apartment community ("Emmitt Station") located in Waverly, Ohio. The community is financed by a U.S.D.A., Rural Housing

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Emmitt Station Limited Partnership

Service Section 515 Loan, and therefore is regulated by Rural Housing Service as to rent charges and operating methods. The apartment community began operation in September 1989.

Pike Metropolitan Housing Authority is the General Partner of the Partnership and is the managing agent.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes net assets, and a statement of cash flows.

Fund Accounting

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. 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 FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

The following are the various programs which are included in the single enterprise fund:

A. **Public Housing Program**

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

B. **Capital Fund Program**

The Capital Fund Program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. **Business Activities**

Pike Metropolitan Housing Authority owns several rental properties. These properties are not related to the HUD funded activities that is why it is reported as a business activity.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. **State and Local Funds**

The state and local funds represent the Authority contracts with the Ohio Housing Finance Agency for construction of four residential housing facilities located at 199 Delay Drive in Piketon, Ohio.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2004 totaled \$5,893.

Emmitt Station, Component Unit, had interest income earned in the fiscal year of \$780.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 2: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA’s name.

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash					
Equivalents:					
Primary Government	\$268,483	\$268,483	\$0	\$0	\$285,696
Component Unit	25,714	25,714	0	0	25,714
Investments:					
Primary Government	531,738	531,738	0	0	531,738
Component Unit	92,655	92,655	0	0	92,655
Total Deposits	\$918,590	\$918,590	\$0	\$0	\$935,803

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 2: CASH AND INVESTMENTS (Continued)

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA's name.

Category 2 – Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the PHA's name.

Category 3 – Uninsured and unregistered, with securities held by the counterpart, or its trust department or agent but not in the PHA's name.

The PHA's nonnegotiable certificates of deposit are classified as investments on the Financial Data Schedule but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2004 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 4: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5: CAPITAL ASSETS

The following is a summary:

	Primary Government	Component Unit	Total
Land	\$1,044,696	\$49,900	\$1,094,596
Buildings	6,428,970	1,484,740	7,913,710
Furniture and Equipment	388,002	1,270	389,272
Leasehold Improvement	8,700	73,499	82,199
Construction in Progress	80,670	0	80,670
Total Fixed Assets	7,951,038	1,609,409	9,560,447
Accumulated Depreciation	(3,121,546)	(837,439)	(3,958,985)
Net Fixed Assets	\$4,829,492	\$771,970	\$5,601,462

The following is a summary of changes for the Primary Government, PMHA:

	Balance 12/31/03	Adjustment	Additions	Deletion	Balance 12/31/04
Land	\$1,034,596	\$0	\$10,100	\$0	\$1,044,696
Building	5,744,998	265,880	418,092	0	6,428,970
Furniture & Equipment	419,016	(18,904)	0	12,110	388,002
Leasehold Improve.	0	0	8,700	0	8,700
Construction in Progress	307,823	(284,474)	57,321	0	80,670
Total Capital Assets	\$7,506,433	(\$37,498)	\$494,213	\$12,110	\$7,951,038

The depreciation expense for the year ended December 31, 2004 was \$255,388.

The following is a summary of changes for the Component Unit, Emmitt Station:

	Balance 12/31/03	Adjustment	Additions	Deletion	Balance 12/31/04
Land	\$85,999	(\$36,099)	\$0	\$0	\$49,900
Building	1,517,006	(37,400)	5,134	0	1,484,740
Furniture & Equipment	1,270	0	0	0	1,270
Leasehold Improve.	0	73,499	0	0	73,499
Construction in Progress	0	0	0	0	0
Total Capital Assets	\$1,604,275	\$0	\$5,134	\$ 0	\$1,609,409

The depreciation expense for the year ended December 31, 2004 was \$57,838.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$49,204, \$45,943, and \$34,854, respectively. The full amount has been contributed for 2002 and 2003. Ninety-three percent has been contributed for 2004, with the remainder being reported as a liability with the enterprise fund.

NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$18,156. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of 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 annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

NOTE 8: LONG TERM DEBT

PIKE METROPOLITAN HOUSING AUTHORITY:

The Authority had the following mortgage loan for rental property owned:

	ORIGINAL LOAN <u>BALANCE</u>	INTEREST <u>RATE</u>	LIFE OF <u>LOAN</u>	12/31/04 <u>BALANCE</u>
FIRST NATIONAL BANK:				
- Loan No. 7661	\$12,200	7.75%	15 Yrs	\$6,519
- Loan No. 8245	\$50,200	7.50%	15 Yrs	17,189
FIFTH THIRD BANK:				
- Loan No. 00042	\$127,000	6.63%	15 Yrs	108,183
- Loan No. 00026	\$85,000	6.63%	12 Yrs	63,747
- Loan No. 00067	\$120,000	5.45%	15 Yrs	111,987
- Loan No. 00075	\$168,000	4.89%	10 Yrs	157,533
- Loan No. 00083	\$163,000	4.44%	10 Yrs	160,463

**PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 8: LONG TERM DEBT (Continued)

	ORIGINAL LOAN BALANCE	INTEREST RATE	LIFE OF LOAN	12/31/04 BALANCE
COUNTY MR/DD:				
- 212 St. Anns Lane	\$8,280	0.00%	15 Yrs	5,520
- 77 Circlevue Dr.	\$8,280	0.00%	15 Yrs	4,402
- 337 Arlington Ave.	\$18,933	0.00%	15 Yrs	14,200
- 221 St Anns Lane	\$19,667	0.00%	15 Yrs	15,734
- 212 Grandview	\$42,792	0.00%	15 Yrs	31,592
- 107 Commercial Blvd.	\$42,000	0.00%	15 Yrs	36,000
-102 Sunrise	\$45,000	0.00%	15 Yrs	39,000
-599 Walnut	\$45,000	0.00%	15 Yrs	<u>39,000</u>
TOTAL OUTSTANDING DEBT				811,069
LESS: CURRENT PORTION				<u>(50,491)</u>
TOTAL LONG TERM DEBT				<u><u>\$760,578</u></u>

The County MR/DD Loans are forgiven at the end of the term of the loan. The Authority amortizes the loans and annually recognizes as revenue the current year amount that expired.

EMMITT STATION (COMPONENT UNIT):

The mortgage note is payable to Rural Housing Service in monthly installments of \$9,011, at an interest rate of 9% and a term of 50 years, maturing in year 2039. As part of the Loan Agreement, the Partnership entered into an Interest Credit and Rental Assistance Agreement that reduces the monthly mortgage payment to \$2,520, which effectively lowers the interest rate to approximately 1% over the term of the loan. The mortgage liability of the Partnership is limited to the underlying value of the real estate collateral pledged.

Under the Loan Agreement with Rural Housing Service, the Partnership is required to make monthly reserve for replacement deposits, and is subject to operating and returns to owner restrictions.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG TERM DEBT (Continued)

There has been no significant change in interest rates available to the Partnership. Therefore, the fair value of the mortgage does not approximate the book value.

The following is a summary of the change in the Long-Term Debt for the year ended December 31, 2004:

Description	Balance 01/01/04	Issued	Adjust.	Retired	Balance 12/31/04
Primary Government:					
Mortgage Loans	\$698,466	\$163,000	(\$1,846)	\$48,551	\$811,069
Component Unit:					
Mortgage Loans	\$1,153,899	\$0	\$0	\$4,468	\$1,149,431

Debt maturities for the next five years are as follows:

YEAR	PRIMARY GOVERNMENT		COMPONENT UNIT	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2005	\$50,491	\$33,334	\$ 4,887	\$103,242
2006	51,372	31,930	5,342	102,783
2007	51,611	30,014	5,865	102,282
2008	53,646	27,979	6,415	101,733
2009	54,428	25,817	7,015	101,133
Later Years	549,521	99,770	1,119,907	2,123,972
Total	\$811,069	\$248,844	\$1,149,431	\$2,635,145

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year ended December 31, 2004 the Pike Metropolitan Housing Authority implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures.

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 34 creates new basic financial statements for reporting on the PMHA's financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The entity-wide financial statements reflect only enterprise fund activities. The implementation of GASB 34 had no effect on the total enterprise fund equity. However, it did effect the classification of the equity.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

The table below shows the reclassification adjustment necessary for the Primary Government:

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$3,928,728	\$721,179	\$0	\$0	\$4,649,907
Reclassification- GASB 34	(3,928,728)	(721,179)	3,943,554	706,353	0
Restated Beginning Balance	0	0	3,943,554	706,353	4,649,907
Capital assets Addition	0	0	494,213	0	494,213
Capital Assets Retired	0	0	(12,110)	12,110	0
Unrestricted Assets used for Capital Assets	0	0	0	(436,892)	(436,892)
Depreciation Expense	0	0	(255,388)	255,388	0
Proceeds from Current Year Debt	0	0	(163,000)	163,000	0
Current Year Debt Paymt	0	0	48,551	(48,551)	0
Current Year (Loss)	0	0	0	(19,543)	(19,543)
Prior Period Adjust.	0	0	(37,397)	(101)	(37,498)
Ending Net Assets	\$0	\$0	\$4,018,423	\$631,764	\$4,650,187

PIKE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

The table below shows the reclassification adjustment necessary for the Component Unit:

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$0	(\$305,031)	\$0	\$0	(\$305,031)
Reclassification- GASB 34	0	305,031	(329,224)	24,193	0
Restated Beginning Balance	0	0	(329,224)	24,193	(305,031)
Capital assets Addition	0	0	5,134	0	5,134
Unrestricted Assets used for Capital Assets	0	0	0	(5,134)	(5,134)
Depreciation Expense	0	0	(57,838)	57,838	0
Current Year Debt Paymt	0	0	4,468	(4,468)	0
Current Year (Loss)	0	0	0	(38,527)	(38,527)
Rounding Adjustment	0	0	(1)	1	0
Ending Net Assets	\$0	\$0	(\$377,461)	\$33,903	(\$343,558)

NOTE 10: PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$37,323 represent an adjusting entry needed to properly state the accumulated depreciation and also to reflect HUD adjustment to the administration fees earned for the year ended December 31, 2003 of \$175.

Pike Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
111	Cash – Unrestricted	\$39,681	\$71,318	\$114,615	\$0	\$5,076	\$15,333	\$246,023
113	Cash - Other Restricted	\$0	\$0	\$22,498	\$0	\$0	\$0	\$22,498
114	Cash - Tenant Security Deposits	\$0	\$15,295	\$0	\$0	\$0	\$10,381	\$25,676
100	Total Cash	\$39,681	\$86,613	\$137,113	\$0	\$5,076	\$25,714	\$294,197
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$1,384	\$1,384
125	Accounts Receivable – Miscellaneous	\$0	\$0	\$1,420	\$0	\$0	\$0	\$1,420
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$4,413	\$0	\$0	\$0	\$1,152	\$5,565
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$2,500)	\$0	\$0	\$0	\$0	(\$2,500)
126.2	Allowance for Doubtful Accounts – Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$1,508	\$0	\$0	\$0	\$0	\$1,508
128.1	Allowance for Doubtful Accounts – Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$3,421	\$1,420	\$0	\$0	\$2,536	\$7,377
131	Investments – Unrestricted	\$250,928	\$169,219	\$111,591	\$0	\$0	\$0	\$531,738
132	Investments Restricted	\$0	\$0	\$0	\$0	\$0	\$92,655	\$92,655
142	Prepaid Expenses and Other Assets	\$435	\$5,386	\$150	\$0	\$0	\$1,950	\$7,921
143	Inventories	\$0	\$5,991	\$0	\$0	\$0	\$0	\$5,991
143.1	Allowance for Obsolete Inventories	\$0	(\$10)	\$0	\$0	\$0	\$0	(\$10)
144	Interprogram Due From	\$0	\$0	\$29,467	\$0	\$0	\$0	\$29,467
150	Total Current Assets	\$291,044	\$270,620	\$279,741	\$0	\$5,076	\$122,855	\$969,336
161	Land	\$391,973	\$615,223	\$0	\$0	\$37,500	\$49,900	\$1,094,596
162	Buildings	\$1,147,653	\$5,001,777	\$0	\$0	\$279,540	\$1,484,740	\$7,913,710

Pike Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
163	Furniture, Equipment & Machinery – Dwellings	\$0	\$156,881	\$0	\$0	\$0	\$0	\$156,881
164	Furniture, Equipment & Machinery – Administration	\$5,401	\$169,365	\$56,355	\$0	\$0	\$1,270	\$232,391
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$8,700	\$73,499	\$82,199
166	Accumulated Depreciation	(\$265,502)	(\$2,817,224)	(\$33,116)	\$0	(\$5,704)	(\$837,439)	(\$3,958,985)
167	Construction In Progress	\$0	\$0	\$0	\$80,670	\$0	\$0	\$80,670
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,279,525	\$3,126,022	\$23,239	\$80,670	\$320,036	\$771,970	\$5,601,462
180	Total Non-Current Assets	\$1,279,525	\$3,126,022	\$23,239	\$80,670	\$320,036	\$771,970	\$5,601,462
190	Total Assets	\$1,570,569	\$3,396,642	\$302,980	\$80,670	\$325,112	\$894,825	\$6,570,798
312	Accounts Payable <= 90 Days	\$2,000	\$7,956	\$2,335	\$0	\$328	\$2,773	\$15,392
321	Accrued Wage/Payroll Taxes Payable	\$0	\$8,849	\$5,325	\$0	\$0	\$0	\$14,174
322	Accrued Compensated Absences - Current Portion	\$0	\$19,304	\$8,033	\$0	\$0	\$0	\$27,337
325	Accrued Interest Payable	\$1,833	\$0	\$0	\$0	\$205	\$2,129	\$4,167
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$60,065	\$0	\$0	\$0	\$60,065
333	Accounts Payable - Other Government	\$0	\$10,573	\$0	\$0	\$0	\$15,305	\$25,878
341	Tenant Security Deposits	\$2,423	\$15,295	\$0	\$0	\$0	\$10,387	\$28,105
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$47,723	\$0	\$0	\$0	\$2,768	\$4,887	\$55,378
345	Other Current Liabilities	\$0	\$0	\$22,498	\$0	\$0	\$0	\$22,498
347	Interprogram Due To	\$0	\$29,467	\$0	\$0	\$0	\$0	\$29,467
310	Total Current Liabilities	\$53,979	\$91,444	\$98,256	\$0	\$3,301	\$35,481	\$282,461

Pike Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
703	Net Tenant Rental Revenue	\$111,352	\$112,193	\$0	\$0	\$3,298	\$149,979	\$376,822
704	Tenant Revenue - Other	\$0	\$8,586	\$0	\$0	\$0	\$0	\$8,586
705	Total Tenant Revenue	\$111,352	\$120,779	\$0	\$0	\$3,298	\$149,979	\$385,408
706	HUD PHA Operating Grants	\$0	\$293,481	\$2,058,432	\$45,490	\$0	\$0	\$2,397,403
706.1	Capital Grants	\$0	\$0	\$0	\$57,321	\$0	\$0	\$57,321
708	Other Government Grants	\$0	\$0	\$0	\$0	\$163,000	\$55,424	\$218,424
711	Investment Income - Unrestricted	\$3,043	\$1,651	\$1,139	\$0	\$0	\$60	\$5,893
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$69,214	\$0	\$955	\$0	\$0	\$3,420	\$73,589
716	Gain/Loss on Sale of Fixed Assets	\$0	\$5,000	\$0	\$0	\$0	\$0	\$5,000
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$780	\$780
700	Total Revenue	\$183,609	\$420,911	\$2,060,526	\$102,811	\$166,298	\$209,663	\$3,143,818
911	Administrative Salaries	\$7,000	\$92,919	\$147,049	\$10,000	\$0	\$4,861	\$261,829
912	Auditing Fees	\$500	\$2,500	\$2,500	\$0	\$0	\$2,000	\$7,500
913	Outside Management Fees	\$0	\$0	\$0	\$0	\$0	\$11,475	\$11,475
914	Compensated Absences	\$0	\$9,101	\$3,314	\$0	\$0	\$0	\$12,415
915	Employee Benefit Contributions - Administrative	\$0	\$46,295	\$33,170	\$0	\$0	\$6,343	\$85,808
916	Other Operating - Administrative	\$15,047	\$32,370	\$45,939	\$5,490	\$8,210	\$6,089	\$113,145
924	Tenant Services - Other	\$0	\$2,326	\$0	\$0	\$0	\$0	\$2,326
931	Water	\$14,165	\$37,875	\$0	\$0	\$456	\$9,511	\$62,007
932	Electricity	\$13,021	\$8,342	\$1,043	\$0	\$325	\$4,210	\$26,941
933	Gas	\$3,693	\$3,830	\$0	\$0	\$0	\$0	\$7,523
941	Ordinary Maintenance and Operations - Labor	\$14,450	\$84,083	\$0	\$0	\$0	\$15,237	\$113,770

Pike Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
942	Ordinary Maintenance and Operations - Materials and Other	\$8,455	\$30,140	\$2,044	\$0	\$1,070	\$155	\$41,864
943	Ordinary Maintenance and Operations - Contract Costs	\$8,542	\$34,384	\$0	\$0	\$88	\$10,792	\$53,806
945	Employee Benefit Contributions - Ordinary Maintenance	\$2,939	\$43,577	\$0	\$0	\$0	\$0	\$46,516
961	Insurance Premiums	\$3,364	\$16,246	\$602	\$0	\$0	\$3,218	\$23,430
963	Payments in Lieu of Taxes	\$5,640	\$6,217	\$0	\$0	\$0	\$15,305	\$27,162
964	Bad Debt - Tenant Rents	\$0	\$10,864	\$0	\$0	\$0	\$0	\$10,864
967	Interest Expense	\$29,115	\$0	\$0	\$0	\$6,069	\$101,156	\$136,340
969	Total Operating Expenses	\$125,931	\$461,069	\$235,661	\$15,490	\$16,218	\$190,352	\$1,044,721
970	Excess Operating Revenue over Operating Expenses	\$57,678	(\$40,158)	\$1,824,865	\$87,321	\$150,080	\$19,311	\$2,099,097
973	Housing Assistance Payments	\$0	\$0	\$1,786,620	\$0	\$0	\$0	\$1,786,620
974	Depreciation Expense	\$39,918	\$199,604	\$10,162	\$0	\$5,704	\$57,838	\$313,226
900	Total Expenses	\$165,849	\$660,673	\$2,032,443	\$15,490	\$21,922	\$248,190	\$3,144,567
1001	Operating Transfers In	\$20,000	\$30,000	\$0	\$0	\$19,540	\$0	\$69,540
1002	Operating Transfers Out	(\$39,540)	\$0	\$0	(\$30,000)	\$0	\$0	(\$69,540)
1010	Total Other Financing Sources (Uses)	(\$19,540)	\$30,000	\$0	(\$30,000)	\$19,540	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$1,780)	(\$209,762)	\$28,083	\$57,321	\$163,916	(\$38,527)	(\$749)
1103	Beginning Equity	\$0	\$3,258,356	\$170,429	\$307,823	\$913,299	(\$305,031)	\$4,344,876
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$915,687	\$244,763	(\$175)	(\$284,474)	(\$913,299)	\$0	(\$37,498)
	Ending Equity	\$913,907	\$3,293,357	\$198,337	\$80,670	\$163,916	(\$343,558)	\$4,306,629

Pike Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
1102	Debt Principal Payments - Enterprise Funds	\$46,119	\$0	\$0	\$0	\$2,432	\$4,468	\$53,019
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$2,266,668	\$0	\$0	\$0	\$2,266,668
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$87,221	\$0	\$0	\$0	\$87,221
1116	Total Annual Contributions Available	\$0	\$0	\$2,353,889	\$0	\$0	\$0	\$2,353,889
1120	Unit Months Available	221	1,164	6,300	0	6	480	8,171
1121	Number of Unit Months Leased	216	1,128	6,079	0	6	471	7,900

Pike Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Number OH16P06050102

1. The Program Costs are as follows:

Funds Approved	\$175,474
Funds Expended	<u>175,474</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$175,474
Funds Expended	<u>175,474</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on March 26, 2004.
4. The final costs on the certification agree to the Authority's records.

Pike Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$293,481
Housing Choice Vouchers	14.871	2,058,432
Public Housing Capital Fund Program	14.872	<u>102,811</u>
TOTAL AWARDS		<u><u>\$2,454,724</u></u>



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

Board of Directors
Pike Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the Basic Financial Statements of the Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated August 4, 2005. I conducted my 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the Basic Financial Statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Pike Metropolitan Housing Authority, Ohio, in a separate letter dated August 4, 2005.

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



Salvatore Consiglio, CPA, Inc.

August 4, 2005



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

Board of Directors
Pike Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Pike Metropolitan Housing Authority, Ohio, 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, 2004. Pike Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result 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 Pike Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Pike Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my 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 I 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 Pike Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Pike Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Pike Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Pike Metropolitan Housing Authority, Ohio 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 my audit, I considered Pike Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Salvatore Consiglio, CPA, Inc.

August 4, 2005

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

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.871 – Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended December 31, 2004.

3. FINDINGS REALTED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended December 31, 2004.

Pike Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2004

The audit report for the fiscal year ending December 31, 2003 contained no audit finding.



**Auditor of State
Betty Montgomery**

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PIKE METROPOLITAN HOUSING AUTHORITY

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2005**