

Gallia Metropolitan Housing Authority

Gallia County

Single Audit

January 1, 2005 through December 31, 2005

Fiscal Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Commissioners
Gallia Metropolitan Housing Authority
381 Buck Rdg Rd. #14
Bidwell, OH 45614

We have reviewed the *Independent Auditor's Report* of the Gallia Metropolitan Housing Authority, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gallia 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

August 28, 2006

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GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 FOR THE YEAR ENDED DECEMBER 31, 2005

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Board of Commissioners
Gallia Metropolitan Housing Authority
361 Buck Ridge Rd., #14
Bidwell, Ohio 45614

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of the Gallia Metropolitan Housing Authority (the Authority), Gallia County, as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2005, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

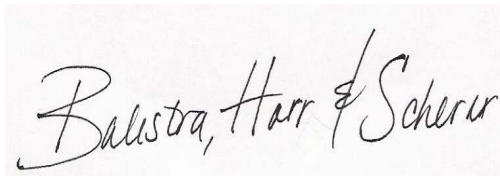
Members of the Board
Gallia Metropolitan Housing Authority
Independent Auditor's Report
Page 2

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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Auditors 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.

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

As described in Note 9 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure."

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

Balestra, Harr & Scherer, CPAs, Inc.
May 19, 2006

Gallia Metropolitan Housing Authority
Bidwell, Ohio
Year Ended December 31, 2005

Management's Discussion and Analysis

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

Because the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, beginning on page 9.

Financial Highlights

The Authority's net assets decreased by \$106,656 during 2005. Net assets reported by the Authority were \$7,288,209 and \$7,394,865 as of December 31, 2005 and 2004, respectively.

Revenue increased by \$ 325,018, from \$1,250,295 for the year ended December 31, 2004 to \$1,575,313 for the year ended December 31, 2005.

The total expenses decreased by \$46,017, from \$1,727,986 for the year ended December 31, 2004 to \$1,681,969 for the year ended December 31, 2005.

Using This Annual Report

The Report includes the following sections:

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

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

Gallia Metropolitan Housing Authority
Bidwell, Ohio
Year Ended December 31, 2005

Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Gallia Metropolitan Housing Authority
 Bidwell, Ohio
 Year Ended December 31, 2005

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

Basic Financial Statements

TABLE 1
 Statement of Net Assets

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

	2005	2004 (Restated)
Current and Other Assets	\$1,254,152	\$1,322,080
Capital Assets, Net	6,293,081	6,327,342
Total Assets	7,547,233	7,649,422
Other Liabilities	77,077	70,998
Long-Term Liabilities	181,947	183,559
Total Liabilities	259,024	254,557
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,293,081	6,327,342
Unrestricted	995,128	1,067,523
Total Net Assets	\$7,288,209	\$7,394,865

Major Factors affecting the Statement of Net Assets

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

Gallia Metropolitan Housing Authority
 Bidwell, Ohio
 Year Ended December 31, 2005

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

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

	2005	2004 (Restated)
Revenues		
Tenant Revenue- Rents and Other	\$98,115	\$93,553
Operating Subsidies and Grants	1,010,188	1,092,617
Capital Grants	423,053	29,642
Investment Income/Other Revenues	43,957	34,483
Total Revenues	1,575,313	1,250,295
Expenses		
Administration	427,762	432,019
Tenant Services	829	787
Utilities	125,049	118,882
Maintenance	220,152	242,391
Protective Services	2,217	1,262
General	49,485	42,757
Housing Assistance Payment	412,659	455,340
Depreciation	443,816	434,473
Total Expenses	1,681,969	1,727,911
Change in Net Assets	(106,656)	(477,616)
Net Assets, Beginning of Year	7,394,865	7,872,481
Net Assets, End of Year	\$7,288,209	\$7,394,865

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

Total income increased due to an increase in capital grants. Expenses decreased slightly due to lower administration expenses and a significant decrease in maintenance expenses. The significant decrease in maintenance expenses was offset by an increase in utilities expense.

Gallia Metropolitan Housing Authority
 Bidwell, Ohio
 Year Ended December 31, 2005

Capital Assets

As of year end the Authority had \$6,293,081 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$38,626 from the end of last year.

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

	2005	2004 (Restated)
Land	\$879,069	\$879,069
Construction in Progress	426,770	21,717
Buildings	3,393,531	3,555,887
Building & Site Improvements	1,537,910	1,796,786
Vehicles	0	2,244
Furniture and Equipment – Dwellings	6,644	8,270
Furniture and Equipment - Administration	49,157	67,734
Total	\$6,293,081	\$6,331,707

The following reconciliation summarizes the change in Capital Assets

TABLE 4
 Changes in Capital Assets

Beginning Balance	\$6,331,707
Additions	405,190
Depreciation	(443,816)
Ending Balance	\$6,293,081

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

Debt Administration

As of December 31, 2005 the Authority had no debt outstanding.

Gallia Metropolitan Housing Authority
Bidwell, Ohio
Year Ended December 31, 2005

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Financial Contact

The individual to be contacted regarding this report is: June R. Williams, Executive Director Gallia Metropolitan Housing Authority. Specific requests may to submitted to Ms. Williams at 381 Buck Ridge Road, Bidwell, OH 45614. Phone: (740) 446-0251. Fax: (740) 446-6728. Email: galliamha@yahoo.com.

GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND TYPE
 AS OF DECEMBER 31, 2005

	Enterprise Fund
<i>Assets</i>	
Current Assets:	
Cash - Unrestricted	\$232,050
Restricted Cash - Tenant Security Deposits	16,815
Accounts Receivable:	
Fraud Recovery	2,931
Tenants - Dwelling Rents	866
Investments - Unrestricted	955,595
Inventories	29,144
Prepaid Expense	16,751
Total Current Assets	1,254,152
Noncurrent Assets:	
Capital Assets:	
Non-depreciable Capital Assets	1,305,839
Depreciable Capital Assets, Net of Accumulated Depreciation	4,987,242
Total Noncurrent Assets	6,293,081
<i>Total Assets</i>	\$ 7,547,233
 <i>Liabilities</i>	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	10,842
Accounts Payable:	
<= 90 Days Past Due	22,598
HUD PHA Programs	23,259
Compensated Absences	3,563
Tenant Security Deposits	16,815
	77,077
Total Current Liabilities	
Noncurrent Liabilities:	
Deferred Insurance Proceeds	2,804
Noncurrent liabilities- Other	156,125
Compensated Absences	23,018
Total Noncurrent Liabilities	181,947
<i>Total Liabilities</i>	259,024
 <i>Net Assests</i>	
Invested in Capital Assets, Net of Related Debt	6,293,081
Unrestricted	995,128
<i>Total Net Assests</i>	\$7,288,209

See accompanying notes to the basic financial statements.

GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-
 PROPRIETARY FUND TYPE
 YEAR ENDING DECEMBER 31, 2005

	Enterprise Fund
<i>Operating Revenues</i>	
Tenant Revenues:	
Net Tenant Rental Revenue	\$98,115
Total Tenant Revenue	98,115
HUD PHA Grants/Operating Grants	1,010,188
Other Revenue	11,302
Total Operating Revenue	1,119,605
<i>Operating Expenses</i>	
Administrative:	
Administrative Salaries	226,077
Auditing Fees	5,916
Employee Benefit Contributions	139,297
Compensated Absences	1,637
Other Operating	54,835
Total Administrative	427,762
Tenant Services:	
Other	829
Total Tenant Services	829
Utilities:	
Water	105,781
Electricity	15,509
Gas	3,759
Total Utilities	125,049
Ordinary Maintenance & Operation:	
Labor	91,611
Materials and Other	57,203
Contract Costs	13,803
Employee Benefit Contributions	57,535
Total Ordinary Maintenance Operation	220,152
Protective Services:	
Protective Services- Labor	1,817
Protective Services- Other Contract Costs	400
Total Protective Services	2,217
General Expenses:	
Insurance Premiums	49,485
Bad Debt - Tenant Rents	0
Total General Expenses	49,485
Other Expenses:	
Housing Assistance Payments	412,659
Depreciation Expense	443,816
Total Other Expenses	856,475
Total Operating Expenses	1,681,969
Operating Loss	(562,364)
<i>Nonoperating Revenues:</i>	
Capital Grants	423,053
Investment Income - Unrestricted	32,655
Total Nonoperating Revenues	455,708
Change in Net Assets	(106,656)
Net Assets, Beginning of Year (Restated, See Note 9)	7,394,865
Net Assets, End of Year	\$ 7,288,209

See accompanying notes to the basic financial statements.

GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	\$97,695
Receipts from operating grants	1,010,188
Other operating receipts	11,302
Housing assistance payments	(412,659)
Payments for general and administrative expense	(803,462)
Net Cash Provided By/(Used For) Operating Activities	(96,936)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	32,655
Change in investments	222,338
Net Cash Provided By Investing Activities	254,993
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Grants	423,053
Change in capital assets	(404,916)
Net Cash Provided By Capital Financing Activities	18,137
Net Increase/(Decrease) In Cash and Cash Equivalents	176,194
Cash At The Beginning Of Year	72,671
Cash At End Of Year	\$248,865
RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES	
Net Operating Income/(Loss)	(\$562,364)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:	
Depreciation	443,816
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:	
(Increase) Decrease In:	
Accounts Receivable - dwelling rent	(420)
Prepaid Expenses	20,938
Inventory	(656)
Interprogram - due from	(29,905)
Increase (Decrease) In:	
Accounts Payable	10,560
Accounts Payable - HUD	(5,829)
Security Deposits	(1,500)
Accrued Wages and Taxes	2,318
Accrued Compensated Absences	(3,799)
Interprogram - due to	29,905
Total Adjustments	21,612
Net Cash Provided By Operating Activities	(\$96,936)

See accompanying notes to the basic financial statements.

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Description of Programs

Conventional Public Housing Program

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

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

Capital Fund Program

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

Housing Choice Voucher Program

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

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for as proprietary fund type in a single enterprise fund. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB guidance issued after November 30, 1989.

Use of Estimates

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

Cash and Cash Equivalents

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

Tenant Receivables-Recognition of Bad Debts

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

Interprogram Due To/Due From

At year-end, the Section 8 Voucher program has interprogram balances due to the Public Housing program in the amount of \$ 111,216. These interprogram balances are eliminated on the statement of net assets.

Capital Assets

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

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

Depreciation is recorded on the straight-line method.

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization of Interest

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

Investments

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

Net Assets

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

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

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

NOTE 2-CASH AND INVESTMENTS

Cash

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

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

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

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

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2-CASH AND INVESTMENTS (Continued)

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

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

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

At December 31, 2005, the carrying amount of all Authority deposits was \$1,204,460. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$872,338 of the Authority's bank balance of \$1,321,401 was exposed to custodial risk as discussed above while \$449,063 was covered by Federal Deposit Insurance. The \$872,338 exposed to custodial risk was collateralized with securities held by the Authority or its agent in the Authority's name.

The book balances at December 31, 2005, were as follows:

	Cash	Investments	Total
Low Rent Public Housing	\$244,348	\$955,595	\$1,199,943
Section 8 Housing Vouchers	4,517	0	4,517
Total	\$248,865	\$955,595	\$1,204,460

Investments

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

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2-CASH AND INVESTMENTS (Continued)

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

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

NOTE 3-CAPITAL ASSETS

A summary of property and equipment at December 31, 2005, by class is as follows:

	Balance 12/31/04*	Additions	Deletions	Balance 12/31/05
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$879,069	\$0	\$0	\$879,069
Construction In Progress	21,717	405,053	0	426,770
Total Capital Assets Not Being Depreciated	900,786	405,053	0	1,305,839
Capital Assets Being Depreciated:				
Buildings	6,494,246	0	0	6,494,246
Buildings and Site Improvements	4,115,289	0	0	4,115,289
Vehicles	91,353	0	0	91,353
Furniture and Equipment – Dwelling	107,553	0	0	107,553
Furniture and Equipment – Administration	192,405	137	0	192,542
Total Capital Assets Being Depreciated	11,000,846	137	0	11,000,983
 Total Capital Assets	 11,901,632	 405,190	 0	 12,306,822
Accumulated Depreciation:				
Buildings	(2,938,359)	(162,356)	0	(3,100,715)
Building and Site Improvements	(2,318,503)	(258,876)	0	(2,577,379)
Vehicles	(89,109)	(2,244)	0	(91,353)
Furniture and Equipment – Dwelling	(99,283)	(1,626)	0	(100,909)
Furniture and Equipment – Administration	(124,671)	(18,714)	0	(143,385)
Total Accumulated Depreciation	(5,569,925)	(443,816)	0	(6,013,741)
 Net Capital Assets Being Depreciated	 5,430,921	 (443,679)	 0	 4,987,242
Net Capital Assets	\$6,331,707	(\$38,626)	\$0	\$6,293,081

* Restated, See Note 9

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4-ADMINISTRATIVE

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

Vouchers: Units per month X \$42.17/unit

NOTE 5-DEFINED PENSION PLANS AND POSTRETIREMENT BENEFIT

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (OPERS), a statewide cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 2005 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer’s records. The Authority’s contributions to OPERS for the years ending December 31, were as follows:

	<u>Contribution</u>	<u>Percent</u>
12/31/05	\$44,198	13.55%
12/31/04	\$42,922	13.55%
12/31/03	\$38,895	13.55%

All required contributions were made prior to each of those fiscal year ends.

OPERS provides post-retirement health care coverage to age and service retirants with 10 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 post retirement health care. The Ohio Revised Code provides statutory authority for employee and employer contributions. For the Authority, the rate was 13.55% of covered payroll 4% was the portion used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations below were based on the System’s latest Actuarial Review performed as of December 31, 2005. 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 (actual gains and losses) becomes part of unfunded actuarial 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% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2005 was 8%. An annual increase of 4% 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% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase 4% annually.

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5-DEFINED PENSION PLANS AND POSTRETIREMENT BENEFIT (Continued)

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The rates stated are the actuarially determined contribution requirements for OPERS. The Authority's contribution made to fund post employment benefits was \$27,726 for 2005. \$10.8 billion represent the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2005. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

OPERS Retirement Board adopts a Health Care Preservation Plan: On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 6-COMPENSATED ABSENCES

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

At December 31, 2005, using the vested method of accrual, \$ 26,581 was accrued by the Authority for unused vacation time and sick time.

NOTE 7-INSURANCE

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

NOTE 8 – CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2005.

Litigation

The Authority is not party to any legal proceedings.

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

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

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

Net assets, December 31, 2004	\$ 7,215,229
Restatement of capital assets	158,255
Correction of accounting errors	<u>21,381</u>
Net Assets, January 1, 2005	<u><u>\$ 7,394,865</u></u>

GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2005

DIRECT FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:	FEDERAL CFDA NUMBER	2005 FEDERAL EXPENDITURES
Low Rent Public Housing	14.850a	\$507,649
Section 8 Housing Choice Vouchers	14.871	502,539
Public Housing Capital Fund	14.872	<u>423,053</u>
TOTAL - ALL PROGRAMS		<u><u>\$1,433,241</u></u>

See accompanying Notes to the Schedule of Federal Awards Expenditures.

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 STATEMENT OF NET ASSETS BY PROGRAM
 AS OF DECEMBER 31, 2005

	Section 8 Voucher	Public Housing	Capital Fund	Interprogram Eliminations	Total Enterprise
<i>Assets</i>					
Current Assets:					
Cash - Unrestricted	\$ 4,517	\$ 227,533	\$0	\$0	\$ 232,050
Restricted Cash - Tenant Security Deposits	0	16,815	0	0	16,815
Accounts Receivable:					0
Fraud Recovery	2,931	0	0	0	2,931
Tenants - Dwelling Rents	0	866	0	0	866
Investments - Unrestricted	0	955,595	0	0	955,595
Inventories	0	29,144	0	0	29,144
Interprogram Due From	0	111,216	0	(111,216)	0
Prepaid Expense	3,693	13,058	0	0	16,751
Total Current Assets	11,141	1,354,227	0	(111,216)	1,254,152
Noncurrent Assets:					
Capital Assets:					
Non-depreciable Capital Assets	0	879,069	426,770	0	1,305,839
Depreciable Capital Assets	0	4,987,242	0	0	4,987,242
Total Noncurrent Assets	0	5,866,311	426,770	0	6,293,081
Total Assets	\$ 11,141	\$ 7,220,538	\$ 426,770	\$ (111,216)	\$ 7,547,233
<i>Liabilities</i>					
Current Liabilities:					
Accrued Wages/Payroll Taxes Payable	183	10,659	0	0	10,842
Accounts Payable					
<=90 days past due	3,145	19,453	0	0	22,598
HUD PHA Programs	23,259	0	0	0	23,259
Compensated Absences	1,347	2,216	0	0	3,563
Tenant Security Deposits	0	16,815	0	0	16,815
Interprogram Due To	111,216	0	0	(111,216)	0
Total Current Liabilities	139,150	49,143	0	(111,216)	77,077
Noncurrent Liabilities:					
Deferred Insurance Proceeds	0	2,804	0	0	2,804
Noncurrent liabilities- Other	0	156,125	0	0	156,125
Compensated Absences	8,366	14,652	0	0	23,018
Total Noncurrent Liabilities	8,366	173,581	0	0	181,947
Total Liabilities	147,516	222,724	0	(111,216)	259,024
<i>Net Assets</i>					
Invested in Capital Assets, Net of Related Debt	0	5,866,311	426,770	0	6,293,081
Unrestricted	(136,375)	1,131,503	0	0	995,128
Total Net Assets	\$ (136,375)	\$ 6,997,814	\$ 426,770	\$ -	\$ 7,288,209

GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM
 YEAR ENDING DECEMBER 31, 2005

	Section 8 Voucher	Public Housing	Capital Fund	Total Enterprise
<i>Operating Revenues</i>				
Tenant Revenues:				
Net Tenant Rental Revenue	\$ -	\$ 98,115	\$ -	\$ 98,115
Total Tenant Revenue	<u>-</u>	<u>98,115</u>	<u>-</u>	<u>98,115</u>
HUD PHA Grants/Operating Grants	502,539	507,649	-	1,010,188
Other Revenue	<u>-</u>	<u>11,302</u>	<u>-</u>	<u>11,302</u>
Total Operating Revenue	502,539	617,066	-	1,119,605
<i>Operating Expenses</i>				
Administrative:				
Administrative Salaries	66,960	159,117	-	226,077
Auditing Fees	2,958	2,958	-	5,916
Employee Benefit Contributions	43,385	95,912	-	139,297
Compensated Absences	1,637	-	-	1,637
Other Operating	17,133	37,702	-	54,835
Total Administrative	<u>132,073</u>	<u>295,689</u>	<u>-</u>	<u>427,762</u>
Tenant Services:				
Other	-	829	-	829
Total Tenant Services	<u>-</u>	<u>829</u>	<u>-</u>	<u>829</u>
Utilities:				
Water	-	105,781	-	105,781
Electricity	-	15,509	-	15,509
Gas	-	3,759	-	3,759
Total Utilities	<u>-</u>	<u>125,049</u>	<u>-</u>	<u>125,049</u>
Ordinary Maintenance & Operation:				
Labor	-	91,611	-	91,611
Materials and Other	-	57,203	-	57,203
Contract Costs	-	13,803	-	13,803
Employee Benefit Contributions	-	57,535	-	57,535
Total Ordinary Maintenance Operation	<u>-</u>	<u>220,152</u>	<u>-</u>	<u>220,152</u>
Protective Services:				
Protective Services- Labor	-	1,817	-	1,817
Protective Services- Other Contract Costs	-	400	-	400
Total Protective Services	<u>-</u>	<u>2,217</u>	<u>-</u>	<u>2,217</u>
General Expenses:				
Insurance Premiums	4,147	45,338	-	49,485
Payments in Lieu of Taxes	-	-	-	-
Total General Expenses	<u>4,147</u>	<u>45,338</u>	<u>-</u>	<u>49,485</u>
Other Expenses:				
Housing Assistance Payments	412,659	-	-	412,659
Depreciation Expense	-	443,816	-	443,816
Total Other Expenses	<u>412,659</u>	<u>443,816</u>	<u>-</u>	<u>856,475</u>
Total Operating Expenses	<u>548,879</u>	<u>1,133,090</u>	<u>-</u>	<u>1,681,969</u>
Operating Income/(Loss)	(46,340)	(516,024)	-	(562,364)
<i>Nonoperating Revenues:</i>				
Capital Grants	-	-	423,053	423,053
Investment Income - Unrestricted	25	32,630	-	32,655
Total Nonoperating Revenues	<u>25</u>	<u>32,630</u>	<u>423,053</u>	<u>455,708</u>
<i>Other Financing Sources/(Uses)</i>				
Operating Transfers In	-	18,000	-	18,000
Operating Transfers Out	-	-	(18,000)	(18,000)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>18,000</u>	<u>(18,000)</u>	<u>-</u>
Change in Net Assets	(46,315)	(465,394)	405,053	(106,656)
Net Assets, Beginning of Year (Restated- See Note 9)	<u>(90,060)</u>	<u>7,463,208</u>	<u>21,717</u>	<u>7,394,865</u>
Net Assets, End of Year	<u>\$ (136,375)</u>	<u>\$ 6,997,814</u>	<u>\$ 426,770</u>	<u>\$ 7,288,209</u>

GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 STATEMENT OF CASH FLOWS BY PROGRAM
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Section 8 Voucher	Public Housing	Capital Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from tenants	\$ -	\$ 97,695	\$ -	\$ 97,695
Receipts from operating grants	502,539	507,649	-	1,010,188
Other operating receipts	-	11,302	-	11,302
Housing assistance payments	(412,659)	-	-	(412,659)
Payments for general and administrative expense	(107,586)	(695,876)	-	(803,462)
Net Cash Provided By/(Used For) Operating Activities	<u>(17,706)</u>	<u>(79,230)</u>	-	<u>(96,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	25	32,630	-	32,655
Change in investments	-	222,338	-	222,338
Net Cash Provided By Investing Activities	<u>25</u>	<u>254,968</u>	-	<u>254,993</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Grants	-	-	423,053	423,053
Interprogram Transfers	-	18,000	(18,000)	-
Change in capital assets	-	137	(405,053)	(404,916)
Net Cash Used By Capital Financing Activities	<u>-</u>	<u>18,137</u>	-	<u>18,137</u>
Net Increase/(Decrease) In Cash and Cash Equivalents	(17,681)	193,875	-	176,194
Cash At The Beginning Of Year	22,198	50,473	-	72,671
Cash At End Of Year	<u>4,517</u>	<u>244,348</u>	<u>-</u>	<u>248,865</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES				
Net Operating Income/(Loss)	(46,340)	(516,024)	-	(562,364)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:				
Depreciation	-	443,816	-	443,816
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:				
(Increase) Decrease In:				
Accounts Receivable - dwelling rent	-	(420)	-	(420)
Prepaid Expenses	-	20,938	-	20,938
Inventory	-	(656)	-	(656)
Interprogram - due from	-	(29,905)	-	(29,905)
Increase (Decrease) In:				
Accounts Payable	2,738	7,822	-	10,560
Accounts Payable - HUD	(5,829)	-	-	(5,829)
Security Deposits	-	(1,500)	-	(1,500)
Accrued Wages and Taxes	183	2,135	-	2,318
Accrued Compensated Absences	1,637	(5,436)	-	(3,799)
Interprogram - due to	29,905	-	-	29,905
Total Adjustments	<u>28,634</u>	<u>(7,022)</u>	<u>-</u>	<u>21,612</u>
Net Cash Provided By Operating Activities	<u>\$ (17,706)</u>	<u>\$ (79,230)</u>	<u>\$ -</u>	<u>\$ (96,936)</u>

GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
SCHEDULE OF ACTIVITY
YEAR ENDING DECEMBER 31, 2005

At the close of the year ended December 31, 2005, the Gallia Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
Low Rent Public Housing	135
Section 8 Housing Choice Vouchers	<u>175</u>
Total Units	<u><u>310</u></u>

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

Board of Commissioners
Gallia Metropolitan Housing Authority
361 Buck Ridge Rd., #14
Bidwell, Ohio 45614

We have audited the financial statements of the business-type activities of Gallia Metropolitan Housing Authority (the Authority), as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 19, 2006, in which we indicated the Authority adopted Governmental Accounting Standards Board Statement Number 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated May 19, 2006.

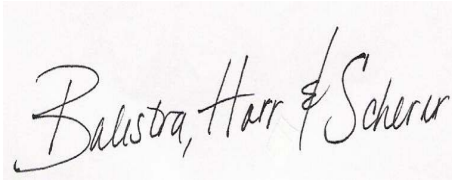
Members of the Board

Gallia Metropolitan Housing Authority

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

Page 2

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

A handwritten signature in black ink that reads "Balestra, Harr & Scherer". The signature is written in a cursive, flowing style.

Balestra, Harr & Scherer CPAs, Inc.

May 19, 2006

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

Board of Commissioners
Gallia Metropolitan Housing Authority
361 Buck Ridge Rd., #14
Bidwell, Ohio 45614

Compliance

We have audited the compliance of Gallia Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Members of the Board

Gallia Metropolitan Housing Authority

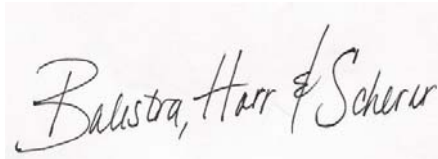
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Internal Control Over Compliance (Continued)

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

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

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

Balestra, Harr & Scherer CPAs, Inc.

May 19, 2006

**GALLIA METROPOLITAN HOUSING AUTHORITY
 BIDWELL, OHIO
 YEAR ENDING DECEMBER 31, 2005**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 SECTION .505**

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 (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was 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 programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Public Housing Capital Grant Program, CFDA # 14.872
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**GALLIA METROPOLITAN HOUSING AUTHORITY
BIDWELL, OHIO
YEAR ENDING DECEMBER 31, 2005**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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



**Auditor of State
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GALLIA METROPOLITAN HOUSING AUTHORITY

GALLIA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2006**