

**PIKE METROPOLITAN  
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Directors  
Pike Metropolitan Housing Authority  
2626 Shyville Road  
Piketon, Ohio 45661

We have reviewed the *Independent Auditor's Report* of the Pike Metropolitan Housing Authority, Pike County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 29, 2012

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**PIKE METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**JAMES G. ZUPKA, C.P.A., INC.**

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*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Pike Metropolitan Housing Authority  
Piketon, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the business-type activities of the Pike Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pike Metropolitan Housing Authority, Ohio'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pike Metropolitan Housing Authority, as of December 31, 2011, 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 24, 2012, on our consideration of the Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pike Metropolitan Housing Authority, Ohio's financial statements as a whole. 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 Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the audited Financial Data Schedules (FDS) utilized by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is in the process of completing.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

May 24, 2012



**PIKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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This Management’s Discussion and Analysis (MD&A) for the Pike Metropolitan Housing Authority (Pike MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Pike Metropolitan Housing Authority’s financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2011, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

**Financial Highlights**

- The Authority’s net assets decreased by \$339,111 during 2011, resulting from changes in operations. Since the Authority engages in only business-type activities, the increase is all in the category of business-type net assets.
- Revenues decreased by \$219,284 during 2011.
- The total expenses of all Authority programs increased by \$149,029.

**Overview of the Authority’s Financial Statements**

The Basic Financial Statements included elsewhere in this report are:

The Statement of Net Assets,  
The Statement of Revenues, Expenses and Changes in Net Assets, and  
The Statement of Cash Flows.

The **Statement of Net Assets** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Pike Metropolitan Housing Authority holds at December 31, 2011, that is, the cash Pike Metropolitan Housing Authority has, the amounts that are owed Pike Metropolitan Housing Authority from others, and the value of the equipment Pike Metropolitan Housing Authority owns. In the other half of the report it shows the liabilities Pike Metropolitan Housing Authority has, that is what Pike Metropolitan owes others at December 31, 2011; and what Net Assets (or what is commonly referred to as Equity) Pike Metropolitan Housing Authority has at December 31, 2011. The two parts of the report are in balance, thus why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part.

In the statement, the Net Assets part is broken out into three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt,  
Restricted Net Assets, and  
Unrestricted Net Assets.

**PIKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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The balance in Net Assets, Invested in Capital Assets, Net of Related Debt reflects the value of capital assets, that is assets such as land, buildings, and equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owned on those assets.

The balance in Restricted Net Assets reflects the value of assets reported in the top part of the statement that are restricted for use by law or regulation, or when use of those assets is restricted by constraints placed on the assets by creditors.

The balance in Unrestricted Net Assets is what is left over of Net Assets after what is classified in the two previously mentioned components of Net Assets. It reflects the value of assets available to Pike Metropolitan Housing to use to further its purposes.

The Authority's financial statements also include a Statement of Revenues, Expenses, and Changes in Net Assets, which is similar to an Income Statement. It is in essence a report showing what Pike Metropolitan Housing Authority earned, that is what its revenues or incomes were, versus what expenses Pike Metropolitan Housing Authority had over the same period. It shows how the Fund Balance (or net assets or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Pike Metropolitan Housing Authority had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected the Fund Balance (or net assets or equity). The bottom line of the report, the Ending Total Net Assets, is what is referred to in the above discussion of the Statement of Net Assets that when added to the liabilities Pike Metropolitan Housing Authority has equals the total assets Pike Metropolitan Housing Authority has.

The Statement of Cash Flows is a report that shows how the amount of cash Pike Metropolitan Housing Authority had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in, and the cash going out. It helps the reader to understand the sources and uses of cash by Pike Metropolitan Housing Authority during the year, to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

### **Pike Metropolitan Housing Authority's Business-Type Funds**

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all the programs, or business-type funds of Pike Metropolitan Housing Authority. Pike Metropolitan Housing Authority consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Pike Metropolitan Housing Authority's programs include the following:

- The Low Rent Public Housing program,
- The Housing Choice Voucher program,
- The Capital Fund Program (CFP),
- The Business Activities, and
- The State and Local Program.

**PIKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

Under the Low Rent Public Housing program, Pike Metropolitan Housing Authority rents dwelling units it owns to low to moderate-income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with HUD, HUD provides an operating subsidy to Pike Metropolitan Housing Authority to help support the operations of the program. In addition, HUD provides funds for physical improvements to Pike Metropolitan Housing Authority's properties and funds for management improvements through Capital Fund Program grants.

Under the Section 8 Housing Choice Voucher program, Pike Metropolitan Housing Authority subsidizes the rents of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

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

Under the State and Local program, the state and local funds represent Pike Metropolitan Authority's contracts with the Ohio Housing Finance Agency for construction of four residential housing facilities located at 193, 195, 197 and 199 Delay Drive.

**Condensed Financial Statements**

The following is a condensed **Statement of Net Assets** compared to the prior year-end. Pike Metropolitan Housing Authority is engaged only in business-type activities.

**Table 1 - Condensed Statement of Net Assets Compared to Prior Year  
(Values Rounded to Nearest Thousand)**

	2011	2010
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,007,626	\$ 1,036,443
Capital Assets	6,119,866	6,346,539
<b>Total Assets</b>	<b><u>\$ 7,127,492</u></b>	<b><u>\$ 7,382,982</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 236,859	\$ 251,344
Long-term Liabilities	2,857,736	2,759,630
<b>Total Liabilities</b>	<b><u>3,094,595</u></b>	<b><u>3,010,974</u></b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	3,192,845	3,543,936
Restricted Net Assets	362,947	347,788
Unrestricted Net Assets	477,105	481,284
<b>Total Net Assets</b>	<b><u>4,032,897</u></b>	<b><u>4,372,008</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,127,492</u></b>	<b><u>\$ 7,383,982</u></b>

For more detail information, see Statement of Net Assets presented on page 9.

**PIKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

Total Net Assets were decreased from the prior year-end by \$339,111. The changes in income and expense from the period causing that change is discussed more in the next section where we discuss Table 2, the Modified Statement of Revenues, Expenses and Changes in Net Assets.

The change in Current Assets from the prior year-end is a decrease of \$28,817. As is discussed in the next section, a main factor causing the decrease in current assets is that HUD provided less funding for 2011 in the amount of \$33,740.

Capital Assets decreased in the period by \$226,673. This is largely due to the disposal of assets and depreciation expense exceeding asset acquisitions.

Of the components of Net Assets, the change in Invested in Capital Assets, Net of Related Debt closely corresponds to the change in Capital Assets because that is what that component of Net Assets represents. The change in Restricted Net Assets reflects a change by the Agency to report Replacement Reserves in the Rural Housing Programs as Restricted Net Assets. The change in Unrestricted Net Assets reflects that change in Restricted Net Assets and the overall increase in Net Assets discussed in the following section.

The following is a modified **Statement of Revenues, Expenses and Changes in Net Assets**. Pike Metropolitan Housing Authority is engaged only in business-type activities.

**Table 2 - Modified Statement of Revenues, Expenses, and Changes in Net Assets  
(Values Rounded to Nearest Thousand)**

	2011	2010
<b>Revenues</b>		
Total Tenant Revenues - Rents and Other	\$ 400,489	\$ 404,247
Operating Subsidies and Grants	2,834,615	2,868,355
Capital Grants	46,582	258,647
Investment Income	2,600	3,242
Gain on Sales of Assets	23,293	0
Other Revenues	92,180	84,552
<b>Total Revenues</b>	<b>3,399,759</b>	<b>3,619,043</b>
<b>Expenses</b>		
Administrative	585,413	577,850
Tenant Services	2,300	2,300
Utilities	112,293	125,127
Maintenance	333,092	279,993
General Expenses	158,720	151,435
Housing Assistance Payments	2,124,314	2,064,218
Depreciation	422,738	388,918
<b>Total Expenses</b>	<b>3,738,870</b>	<b>3,589,841</b>
Net Increases (Decreases)	<b>\$ (339,111)</b>	<b>\$ 29,202</b>

For more detailed information see Combined Statement of Revenues, Expenses and Changes in Net Assets presented elsewhere in this report.

**PIKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

Total tenant revenue remained relatively constant with a decrease of less than one percent.

Capital Fund Grants decreased by \$212,065 due to the end of the ARRA program, while operating subsidies decreased \$33,740. The decrease in operating subsidies was mainly in the Housing Choice Voucher Program.

Expenses increased in 2011 by \$149,029. This was primarily due to an increase in Housing Assistance Payments expense of \$60,096 and maintenance costs increasing.

The following is a condensed **Statement of Changes in Capital Assets** comparing the balance in capital assets at the year-end versus at the end of the prior year.

**Table 3 - Condensed Statement of Changes in Capital Assets  
(Values Rounded to Nearest Thousand)**

	2011	2010
Land	\$ 1,013,076	\$ 991,566
Buildings and Improvements	9,886,674	9,490,770
Equipment	398,313	363,526
Accumulated Depreciation	(5,263,007)	(4,916,215)
Construction in Progress	84,810	416,892
<b>Total Capital Assets, Net</b>	<b><u>\$ 6,119,866</u></b>	<b><u>\$ 6,346,539</u></b>

Land increased by \$21,510 and buildings and improvements increased by \$395,904. Most of the increase was due to the purchase of properties for the NSP Program. Equipment increase from 2010 to 2011 was due to new asset purchases. The decrease in Construction in Progress was caused primarily by transferring completed projects to the building account.

The following is a **comparison of debt outstanding** at the year-end versus at the end of the prior period.

**Table 4 - Condensed Statement of Changes in Debt Outstanding  
(Values Rounded to Nearest Thousand)**

	2011	2010
Current Portion of Debt	\$ 121,385	\$ 114,467
Long-Term Portion of Debt	2,805,636	2,688,136
Total	<b><u>\$ 2,927,021</u></b>	<b><u>\$ 2,802,603</u></b>

Debt was increased by \$259,826 during year-end 2011. This was due to the new properties being added to the NSP Program.

**PIKE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

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**Economic Factors**

Pike Metropolitan Housing Authority faces the continuing prospect of declining HUD subsidies used to administer their programs and maintain their properties. Unfavorable economic times, as reflected in the numbers of families earning less in addition to those leaving the community because they cannot find adequate employment opportunities, also mean revenues from tenants are reduced because generally rents are based on the tenant families' ability to pay as dictated by the Federal government. Rising insurance, utility and other operating rates compound the effect of the reduction in incomes available to Pike Metropolitan Housing Authority to administer its program, and continue to challenge management to cut operating costs. The reduction in government assistance for the administration of programs and ongoing operating cuts by management means Pike Metropolitan Housing Authority can provide lesser services to clients.

**Financial Contact**

Questions concerning this report or requests for additional information should be directed to Ken Reed, Executive Director of the Pike Metropolitan Housing Authority, 2626 Shyville Road, Piketon, Ohio 45661.

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 511,607
Restricted Cash and Cash Equivalents	421,958
Receivables, Net	4,975
Inventory, Net	9,266
Prepaid Expenses	<u>59,820</u>
<b>Total Current Assets</b>	<b><u>1,007,626</u></b>

**Noncurrent Assets**

Non-depreciable Capital Assets	1,097,886
Depreciable Capital Assets, Net	<u>5,021,980</u>
<b>Total Noncurrent Assets</b>	<b><u>6,119,866</u></b>

<b>TOTAL ASSETS</b>	<b><u>\$ 7,127,492</u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 12,967
Accrued Compensated Absences - Current	47,388
Tenant Security Deposits	33,860
Accrued Wages and Payroll Taxes	9,973
Intergovernmental Payable	11,286
Current Portion of Long-Term Debt	<u>121,385</u>
<b>Total Current Liabilities</b>	<b><u>236,859</u></b>

**Noncurrent Liabilities**

Noncurrent Liabilities - Other	25,151
Accrued Compensated Absences - Net of Current Portion	26,949
Long-Term Debt - Net of Current Portion	<u>2,805,636</u>
<b>Total Noncurrent Liabilities</b>	<b><u>2,857,736</u></b>
<b>Total Liabilities</b>	<b><u>3,094,595</u></b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	3,192,845
Unrestricted Net Assets	477,105
Restricted Net Assets	<u>362,947</u>
<b>Total Net Assets</b>	<b><u>4,032,897</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,127,492</u></b>
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See accompanying notes to the basic financial statements.

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b><u>Operating Revenues</u></b>	
Government Grants	\$ 2,834,615
Tenant Revenue	400,489
Other Revenue	<u>92,180</u>
<b>Total Operating Revenues</b>	<b><u>3,327,284</u></b>
<b><u>Operating Expenses</u></b>	
Administrative	585,413
Tenant Services	2,300
Utilities	112,293
Maintenance	333,092
General	77,843
Housing Assistance Payments	<u>2,124,314</u>
<b>Total Operating Expenses Before Depreciation</b>	<b><u>3,235,255</u></b>
Income (Loss) Before Depreciation	92,029
Depreciation	<u>422,738</u>
<b>Operating Income (Loss)</b>	<b><u>(330,709)</u></b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Interest and Investment Revenue	2,600
Gain on Sale of Capital Assets	23,293
Interest Expense	<u>(80,877)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(54,984)</u></b>
Income (Loss) Before Capital Grants	(385,693)
Capital Grants	<u>46,582</u>
<b>Change in Net Assets</b>	<b><u>(339,111)</u></b>
Total Net Assets, Beginning of Year	<u>4,372,008</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 4,032,897</u></b>

See accompanying notes to the basic financial statements.



**PIKE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Government Grants	\$ 2,968,501
Cash Received From Tenants	398,866
Cash Payments for Housing Assistance	(2,124,314)
Cash Payments for Administrative Expenses	(595,777)
Cash Payments for Other Operating Expenses	(552,811)
Cash Received - Other	<u>92,344</u>
<b>Net Cash (Provided) by Operating Activities</b>	<b><u>186,809</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition of Capital Assets	(219,675)
Cash from Asset Sales	46,903
Capital Grants Received	46,582
Debt Principal and Interest	(216,285)
Debt Proceeds	<u>259,826</u>
<b>Net Cash Provided by Capital and Other Related Financing Activities</b>	<b><u>(82,649)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest and Investment Income Received	<u>2,600</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>2,600</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents	106,760
Cash and Cash Equivalents, Beginning	<u>826,805</u>
 <b>Cash and Cash Equivalents, Ending</b>	 <b><u>\$ 933,565</u></b>
 <b><u>Reconciliation of Operating Loss to Net</u></b>	
<b><u>Cash Provided by Operating Activities</u></b>	
Net Operating (Loss)	\$ (330,709)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	422,738
(Increase) Decrease in:	
Accounts Receivable - Tenant	(1,723)
Accounts Receivable - HUD	133,886
Prepaid Expenses	3,657
Inventory	(243)
Increase (Decrease) in:	
Accounts Payable	(28,790)
Intergovernmental Payable	7,548
Accrued Compensated Absences - Current	(1,485)
Tenants' Security Deposits	164
Accrued Wages and Payroll Taxes	1,060
Deferred Revenue	100
Non-Current Liabilities	(10,515)
Accrued Compensated Absences - Long-Term	<u>(8,879)</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ 186,809</u></b>

See accompanying notes to the basic financial statements.

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**Organization and Reporting Entity**

The Pike Metropolitan Housing Authority ( the 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 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 is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has no component units based on the above considerations.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

The Authority’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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

**Basis of Presentation** (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**Measurement Focus and Basis of Accounting**

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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

**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. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Building Improvements	15-27.5 years
Land Improvements	15 years
Equipment	7 years
Autos	5 years
Computers	5 years

**Capitalization of Interest**

The Authority's policy is not to capitalize interest related to 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, if applicable.

**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 absences 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; and **(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 liability. Information regarding compensated absences is detailed in Note 8.

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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NOTE 2: **DEPOSITS AND INVESTMENTS**

**Cash on Hand**

At December 31, 2011, the Authority had undeposited cash on hand (petty cash) of \$150.

At December 31, 2011, the carrying amount of the Authority's cash deposits was \$933,415 and the bank balance was \$954,289. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2011, deposits totaling \$345,199 were covered by Federal Depository Insurance and deposits totaling \$609,090 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution 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 a Federal Reserve bank in the name of the Authority.

**Investments**

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2011, the Authority had no investments.

**Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**PIKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)**

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NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

**Credit Risk**

The credit risk of the Authority's investments are in the table below. The Authority has no investment policy that would further limit its investment choices.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

**Concentration of Credit Risk**

The Authority places no limit on the amount it may invest in any one insurer. The Authority's deposits in financial institutions represents 100 percent of its deposits.

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of \$421,958 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 157,758
FSS Escrow Funds	25,151
Tenant Security Deposits	33,860
Insurance and Escrow - Emmitt Station	11,145
Reserve for Replacement - Emmitt Station	<u>194,044</u>
Total Restricted Cash	<u>\$ 421,958</u>

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**PIKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)**

**NOTE 4: CAPITAL ASSETS**

A summary of capital assets at December 31, 2011 by class is as follows:

	Balance 01/01/2011	Reclasses/ Adjustments	Additions	Deletions	Balance 12/31/2011
<b><u>Capital Assets Not Being Depreciated</u></b>					
Land	\$ 991,566	\$ 0	\$ 27,500	\$ (5,990)	\$ 1,013,076
Construction in Progress	416,892	(417,203)	85,121	0	84,810
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,408,458</b>	<b>(417,203)</b>	<b>112,621</b>	<b>(5,990)</b>	<b>1,097,886</b>
<b><u>Capital Assets Being Depreciated</u></b>					
Buildings and Improvements	9,490,770	343,618	106,196	(53,910)	9,886,674
Furniture, Equipment, and Machinery	363,526	73,585	858	(39,656)	398,313
<b>Subtotal Capital Assets Being Depreciated</b>	<b>9,854,296</b>	<b>417,203</b>	<b>107,054</b>	<b>(93,566)</b>	<b>10,284,987</b>
<b><u>Accumulated Depreciation</u></b>					
Buildings & Improvements	(4,325,060)	(195,133)	(413,433)	36,290	(4,897,336)
Furniture & Equipment	(591,155)	195,133	(9,305)	39,656	(365,671)
<b>Total Accumulated Depreciation</b>	<b>(4,916,215)</b>	<b>0</b>	<b>(422,738)</b>	<b>75,946</b>	<b>(5,263,007)</b>
<b>Capital Assets Being Depreciated, Net</b>	<b>4,938,081</b>	<b>417,203</b>	<b>(315,684)</b>	<b>(17,620)</b>	<b>5,021,980</b>
<b>Total Capital Assets ,Net</b>	<b>\$ 6,346,539</b>	<b>\$ 0</b>	<b>\$ (203,063)</b>	<b>\$ (23,610)</b>	<b>\$ 6,119,866</b>

**NOTE 5: RESTRICTED NET ASSETS**

The Authority's restricted net assets are as follows:

Section 8 Housing Choice Voucher funds provided for Housing Assistance Payments in excess of the amounts used	\$ 157,758
Reserve for Replacement - Emmitt Station	194,044
Insurance and Escrow - Emmitt Station	11,145
<b>Total</b>	<b>\$ 362,947</b>

*This space intentionally left blank.*

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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NOTE 6: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2011, 2010, and 2009, were \$58,448, \$57,874, and \$55,170, respectively. The full amount has been contributed for 2011, 2010, and 2009.



**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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NOTE 7: **POST-EMPLOYMENT BENEFITS**

**A. Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

**B. Funding Policy**

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

**PIKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)**

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NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

**B. Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPER's Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for calendar year 2011 and allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2011, 2010 and 2009, which were used to fund post-employment benefits were \$16,699, \$20,988, and \$23,004, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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**PIKE METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(CONTINUED)**

**NOTE 8: 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 15 days sick leave per year of service. Unused sick leave may be accumulated without limit. At the time of separation, employees receive payment for up to sixty (60) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Vacation shall not be accrued for a period longer than two (2) years. Any vacation accrued in excess of two (2) years shall be forfeited.

At December 31, 2011, based on the vesting method, \$74,337 was accrued by the Authority for unused vacation and sick time. The current portion is \$47,388 and the long term portion is \$26,949.

**NOTE 9: INSURANCE**

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Pike is one. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$27,654,200 (Per Occurrence)
Boiler and Machinery	1,000	50,000,000
General Liability	0	6,000,000
Automobile Liability	500/0	ACV/6,000,000
Law Enforcement	0	6,000,000
Public Officials	0	6,000,000
Crime	500	1,000,000

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with Aetna Health, Inc. for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

**NOTE 10: LONG-TERM DEBT**

Change in Long-Term Liabilities:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011	Current Portion
Compensated Absences	\$ 84,701	\$ 33,198	\$ (43,562)	\$ 74,337	\$ 47,388
Long-Term Debt	2,802,603	259,826	(135,408)	2,927,021	121,385
<b>Total</b>	<u>\$ 2,887,304</u>	<u>\$ 293,024</u>	<u>\$ (178,970)</u>	<u>\$ 3,001,358</u>	<u>\$ 168,773</u>

The Long-Term debt is detailed below:

	Original Loan Amount	Range of Maturity Date	Interest Rate	Life of Loan	12/31/11 Balance	Due Within One Year
<b>First National Bank:</b>						
- Loan No. 8245	\$ 50,200	1997-2012	7.50%	15 Yrs.	\$ 51	\$ 51
<b>Fifth Third Bank:</b>						
- Loan No. 00042	\$ 127,000	2001-2016	6.63%	15 Yrs.	54,522	10,193
- Loan No. 00026	\$ 85,000	2001-2012	6.63%	12 Yrs.	10,166	10,166
- Loan No. 00067	\$ 120,000	2002-2022	5.45%	20 Yrs.	81,107	5,582
- Loan No. 00075	\$ 168,000	2003-2013	4.89%	10 Yrs.	89,864	11,691
- Loan No. 00083	\$ 163,000	2004-2014	4.44%	10 Yrs.	139,267	3,774
- Loan No. 00117	\$ 413,689	2006-2016	5.21%	10 Yrs.	335,526	16,244
- Loan No. 00158	\$ 38,000	2008-2018	5.12%	10 Yrs.	31,936	2,020
- Loan No. 00125	\$ 38,000	2008-2018	5.12%	10 Yrs.	30,901	2,075
<b>Ohio Valley Bank:</b>						
- 412 Market St.	\$ 41,140	2005-2024	6.25%	20 Yrs.	31,836	1,683
- 236 St. Mary's	\$ 55,009	2005-2025	7.25%	20 Yrs.	44,194	2,018
- 83 Circleview	\$ 50,000	2010-2025	5.75%	15 Yrs.	46,615	2,329
<b>US Department of Agriculture:</b>						
- Emmitt Station	\$ 1,146,858	2005-2036	5.375%	30 Yrs.	1,113,662	6,495
- Emmitt Station	\$ 350,000	2006-2036	5.375%	30 Yrs.	343,070	1,858
<b>County MR/DD:</b>						
- 212 St. Ann's Lane	\$ 4,560	2009-2024	0.00%	15 Yrs.	3,800	304
- 337 Arlington	\$ 3,580	2000-2015	0.00%	15 Yrs.	736	239
- 337 Arlington	\$ 6,300	2001-2016	0.00%	15 Yrs.	1,855	420
- 212 Grandview	\$ 49,275	2000-2015	0.00%	15 Yrs.	12,319	3,285
- 107 Commercial	\$ 45,000	2001-2016	0.00%	15 Yrs.	14,250	3,000
- 107 Commercial	\$ 3,285	2004-2019	0.00%	15 Yrs.	1,551	219
- 102 Sunrise	\$ 45,000	2002-2017	0.00%	15 Yrs.	15,750	3,000
- 102 Sunrise	\$ 3,961	2009-2024	0.00%	15 Yrs.	3,301	264
- 102 Sunrise	\$ 20,832	2009-2024	0.00%	15 Yrs.	17,591	1,389
- 599 Walnut	\$ 45,000	2002-2017	0.00%	15 Yrs.	16,750	3,000
- 412 Market	\$ 48,600	2005-2020	0.00%	15 Yrs.	28,080	3,240
- 510 Rose Drive	\$ 91,612	2008-2023	0.00%	15 Yrs.	68,200	6,108
- 221 St. Ann's Lane	\$ 8,911	2009-2024	0.00%	15 Yrs.	7,475	594
- 221 St. Ann's Lane	\$ 29,550	1997-2012	0.00%	15 Yrs.	821	821
- 221 St. Ann's Lane	\$ 2,388	2003-2018	0.00%	15 Yrs.	1,088	159
- 83 Circleview	\$ 118,889	2010-2025	0.00%	15 Yrs.	108,321	7,926
- 83 Circleview	\$ 14,997	2010-2025	0.00%	15 Yrs.	13,664	1,000
<b>County NSP:</b>						
- 214 Grandview	\$ 204,751	2010-2029	0.00%	20 Yrs.	194,513	10,238
- 308 Vine	\$ 32,608	2011-2030	0.00%	20 Yrs.	32,608	0
<b>Gallia-Meigs NSP:</b>						
- 603 Church	\$ 31,631	2011-2030	0.00%	20 Yrs.	31,631	0
<b>Total Debt</b>					<u>\$ 2,927,021</u>	<u>\$ 121,385</u>

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

NOTE 10: **LONG-TERM DEBT** (Continued)

The following is a summary of the Authority's future debt service requirements for mortgage payable as of December 31, 2011:

<u>For the Year</u> <u>Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2012	\$ 121,385	\$ 75,764	\$ 197,149
2013	179,980	70,750	250,730
2014	232,540	60,255	292,795
2015	103,270	55,972	159,242
2016	344,554	52,540	397,094
2017-2021	343,891	162,377	506,268
2022-2026	226,803	116,051	342,854
2027-2031	209,418	86,396	295,814
2032-2036	<u>1,165,180</u>	<u>54,339</u>	<u>1,219,519</u>
Totals	<u>\$ 2,927,021</u>	<u>\$ 734,444</u>	<u>\$ 3,661,465</u>

NOTE 11: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2011.

NOTE 12: **INTERPROGRAM RECEIVABLES/PAYABLES**

The Authority had no interprogram balances at December 31, 2011.

NOTE 13: **OPERATING TRANSFER**

The Authority had the following operating transfers in 2010:

	<u>Transfer From</u>	<u>Transfer To</u>
Capital Fund	\$ 49,000	\$ 0
Public Housing	<u>0</u>	<u>49,000</u>
Total	<u>\$ 49,000</u>	<u>\$ 49,000</u>

This transfer represents the Capital Fund Grant allocation to support operations as permitted by the Department of Housing and Urban Development regulations.

**PIKE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(CONTINUED)**

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NOTE 14: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

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**PIKE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<b><u>Public Housing Programs</u></b>		
Low Rent Public Housing Program	14.850	\$ 328,313
Capital Fund Program	14.872	<u>105,582</u>
<b>Total Public Housing Programs</b>		<u>433,895</u>
<b><u>Section 8 Tenant Based Programs</u></b>		
Section 8 Housing Choice Voucher Program	14.871	<u>2,374,803</u>
<b>Total Section 8 Tenant Based Programs</b>		<u>2,374,803</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>2,808,698</u>
<b><u>U.S. Department of Agriculture</u></b>		
Rural Rental Housing Loan	10.415	<u>72,499</u>
<b>Total U.S. Department of Agriculture</b>		<u>72,499</u>
<b>Total Federal Expenditures</b>		<u>\$ 2,881,197</u>

This schedule is prepared on the accrual basis of accounting.

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**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

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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 Directors  
Pike Metropolitan Housing  
Piketon, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited the financial statements of the business-type activities of the Pike Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Pike Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated May 24, 2012. 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**

Management of the Pike Metropolitan Housing Authority is responsible for establishing and maintaining effective control over financial reporting. In planning and performing our audit, we considered the Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pike Metropolitan Housing Authority, Ohio's internal control over financial reporting.


*A deficiency in internal control* exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pike Metropolitan Housing Authority, Ohio's 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*.

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

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

May 24, 2012

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Board of Directors  
Pike Metropolitan Housing Authority  
Piketon, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Pike Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Pike Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2011. The Pike Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Pike Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Pike Metropolitan Housing Authority, Ohio'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 Pike Metropolitan Housing Authority, Ohio'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 Pike Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Pike Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its federal programs for the year ended December 31, 2011.


### **Internal Control Over Compliance**

The management of the 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 our audit, we considered the Pike Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pike Metropolitan Housing Authority, Ohio's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

  
James G. Zupka CPA, Inc.  
Certified Public Accountants

May 24, 2012

**PIKE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2011**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2011(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	No
2011(vii)	Major Programs (list):  Housing Choice Voucher Program - CFDA #14.871	
2011(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2011(ix)	Low Risk Auditee?	Yes

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

None.

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

None.

**PIKE METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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The prior audit report, as of December 31, 2010, included no findings, but did include two management letter comments. Both management comment items have been resolved.



# Dave Yost • Auditor of State

**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  
JULY 12, 2012**