

Gallia Metropolitan Housing Authority

Gallia County

Single Audit

January 1, 2006 through December 31, 2006

Fiscal Year Audited Under GAGAS: 2006

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

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Gallia Metropolitan Housing Authority, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 7, 2007

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GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 FOR THE YEAR ENDED DECEMBER 31, 2006

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# BALESTRA, HARR & SCHERER, CPAs, INC.

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Gallia Metropolitan Housing Authority  
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## 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, 2006, 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, 2006, 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 June 20, 2007, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

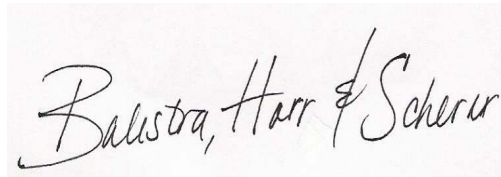
The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*.

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

Balestra, Harr & Scherer, CPAs, Inc.  
June 20, 2007



Gallia Metropolitan Housing Authority  
Bidwell, Ohio  
Year Ended December 31, 2006

**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 \$158,602 during 2006. Net assets reported by the Authority were \$7,158,347 and \$7,316,949 as of December 31, 2006 and 2005, respectively.

Revenue decreased by \$49,358, from \$1,575,313 for the year ended December 31, 2005 to \$1,525,955 for the year ended December 31, 2006.

The total expenses increased by \$31,328, from \$1,653,229 for the year ended December 31, 2005 to \$1,684,557 for the year ended December 31, 2006.

**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, 2006

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, 2006

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.

	2006	2005 (Restated)
Current and Other Assets	\$1,394,332	\$1,259,633
Capital Assets, Net	6,004,845	6,293,081
Total Assets	7,399,177	7,552,714
Other Liabilities	55,872	53,818
Long-Term Liabilities	184,958	181,947
Total Liabilities	240,830	235,765
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,004,845	6,293,081
Unrestricted	1,153,502	1,023,868
Total Net Assets	\$7,158,347	\$7,316,949

**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, 2006

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.

	2006	2005
Revenues		
Tenant Revenue- Rents and Other	\$104,691	\$98,115
Operating Subsidies and Grants	1,074,513	1,010,188
Capital Grants	136,929	423,053
Investment Income/Other Revenues	209,822	43,957
Total Revenues	1,525,955	1,575,313
Expenses		
Administration	434,096	427,762
Tenant Services	1,823	829
Utilities	119,642	125,049
Maintenance	237,737	220,152
Protective Services	2,284	2,217
General	53,381	49,485
Housing Assistance Payment	404,798	383,919
Depreciation	430,796	443,816
Total Expenses	1,684,557	1,653,229
Change in Net Assets	(158,602)	(77,916)
Net Assets, Beginning of Year	7,316,949	7,394,865
Net Assets, End of Year	\$7,158,347	\$7,316,949

**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 utilities and depreciation expenses.

Gallia Metropolitan Housing Authority  
 Bidwell, Ohio  
 Year Ended December 31, 2006

**Capital Assets**

As of year end the Authority had \$6,004,845 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$288,236 from the end of last year.

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

	2006	2005
Land	\$879,069	\$879,069
Construction in Progress	563,699	426,770
Buildings	3,231,175	3,393,531
Building & Site Improvements	1,279,034	1,537,910
Vehicles	0	0
Furniture and Equipment – Dwellings	4,728	6,644
Furniture and Equipment - Administration	47,140	49,157
Total	\$6,004,845	\$6,293,081

The following reconciliation summarizes the change in Capital Assets

TABLE 4  
 Changes in Capital Assets

Beginning Balance	\$6,293,081
Additions	142,560
Depreciation	(430,796)
Ending Balance	\$6,004,845

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, 2006 the Authority had no debt outstanding.

Gallia Metropolitan Housing Authority  
Bidwell, Ohio  
Year Ended December 31, 2006

**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](mailto:galliamha@yahoo.com).

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND TYPE  
 AS OF DECEMBER 31, 2006

	<u>Enterprise Fund</u>
<i>Assets</i>	
Current Assets:	
Cash - Unrestricted	\$ 237,190
Restricted Cash - Tenant Security Deposits	19,182
Accounts Receivable:	
Fraud Recovery	2,931
Tenants - Dwelling Rents	2,426
Investments - Unrestricted	1,088,982
Inventories	29,037
Prepaid Expense	14,584
	1,394,332
Total Current Assets	
Noncurrent Assets:	
Capital Assets:	
Non-depreciable Capital Assets	1,442,768
Depreciable Capital Assets, Net of Accumulated Depreciation	4,562,077
	6,004,845
Total Noncurrent Assets	
	7,399,177
<i>Total Assets</i>	
 <i>Liabilities</i>	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	12,798
Accounts Payable:	
<= 90 Days Past Due	20,393
Compensated Absences	4,013
Tenant Security Deposits	18,668
	55,872
Total Current Liabilities	
Noncurrent Liabilities:	
Deferred Insurance Proceeds	2,804
Noncurrent liabilities- Other	156,125
Compensated Absences	26,029
	184,958
Total Noncurrent Liabilities	
	240,830
<i>Total Liabilities</i>	
 <i>Net Assests</i>	
Invested in Capital Assets, Net of Related Debt	6,004,845
Unrestricted	1,153,502
	7,158,347
<i>Total Net Assests</i>	

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, 2006

	Enterprise Fund
<i>Operating Revenues</i>	
Tenant Revenues:	
Net Tenant Rental Revenue	\$ 104,691
Total Tenant Revenue	104,691
HUD PHA Grants/Operating Grants	1,074,513
Other Revenue	12,011
Total Operating Revenue	1,191,215
<i>Operating Expenses</i>	
Administrative:	
Administrative Salaries	241,823
Auditing Fees	5,713
Employee Benefit Contributions	124,369
Compensated Absences	3,463
Other Operating	58,728
Total Administrative	434,096
Tenant Services:	
Other	1,823
Total Tenant Services	1,823
Utilities:	
Water	100,669
Electricity	15,198
Gas	3,775
Total Utilities	119,642
Ordinary Maintenance & Operation:	
Labor	101,329
Materials and Other	72,438
Contract Costs	12,668
Employee Benefit Contributions	51,302
Total Ordinary Maintenance Operation	237,737
Protective Services:	
Protective Services- Labor	1,610
Protective Services- Other Contract Costs	674
Total Protective Services	2,284
General Expenses:	
Insurance Premiums	50,058
Payments in Lieu of Taxes	1,614
Bad Debt-Tenants Rent	1,709
Total General Expenses	53,381
Other Expenses:	
Housing Assistance Payments	404,798
Depreciation Expense	430,796
Total Other Expenses	835,594
Total Operating Expenses	1,684,557
Operating Loss	(493,342)
<i>Nonoperating Revenues:</i>	
Capital Grants	136,929
Investment Income - Unrestricted	54,843
Total Nonoperating Revenues	191,772
<i>Other Financing Sources/(Uses)</i>	
Gain on Sale of Fixed Assets	142,968
Total Other Financing Sources/(Uses)	142,968
Change in Net Assets	(158,602)
Net Assests, Beginning of Year (Restated, See Note 9)	7,316,949
Net Assets, End of Year	\$ 7,158,347

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, 2006

	Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tenants	\$ 103,131
Receipts from operating grants	1,074,513
Other operating receipts	12,011
Housing assistance payments	(381,539)
Payments for general and administrative expense	(864,972)
Net Cash Provided By/(Used For) Operating Activities	(56,856)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest	54,843
Change in investments	(133,387)
Net Cash Used for Investing Activities	(78,544)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Grants	136,929
Construction and acquisitions of capital assets	(142,471)
Gain on Sale of Fixed Assets	142,968
Net Cash Provided By Capital Financing Activities	137,426
Net Increase/(Decrease) In Cash and Cash Equivalents	2,026
Cash At The Beginning Of Year (Restated - See Note 9)	254,346
Cash At End Of Year	\$256,372
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>	
Net Operating Income/(Loss)	(493,342)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:	
Changes in Operating Assets and Liabilities that Increase/(Decrease)	
Cash Flows:	
(Increase) Decrease In:	
Accounts Receivable - dwelling rent	(1,560)
Prepaid Expenses	2,077
Inventory	107
Interprogram - due from	(448)
Increase (Decrease) In:	
Accounts Payable	(2,205)
Security Deposits	1,853
Accrued Wages and Taxes	1,955
Accrued Compensated Absences	3,463
Interprogram - due to	448
Depreciation Expense	430,796
Total Adjustments	436,486
Net Cash Provided By Operating Activities	(\$56,856)

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, 2006

**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, 2006

**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 \$111,664. 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, 2006

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

**Capitalization of Interest**

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

**Investments**

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

**Net Assets**

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

**Operating Revenues and Expenses**

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

**NOTE 2-CASH AND INVESTMENTS**

**Cash**

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

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or 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, 2006**

**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, 2006, the carrying amount of all Authority deposits was \$1,345,354. As of December 31, 2006, \$300,000 of the Authority's bank balance of \$1,357,837 was covered by Federal Deposit Insurance, and the remaining \$1,057,837 was covered by pooled securities held by the pledging financial institution's trust department.

The book balances at December 31, 2006, were as follows:

	Cash	Investments	Total
Low Rent Public Housing	\$251,937	\$1,088,982	\$1,340,919
Section 8 Housing Vouchers	4,435	0	4,435
Total	\$256,372	\$1,088,982	\$1,345,354

**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, 2006**

**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, 2006, by class is as follows:

	Balance 12/31/05	Additions	Deletions	Balance 12/31/06
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$879,069	\$0	\$0	\$879,069
Construction In Progress	426,770	136,929	0	563,699
Total Capital Assets Not Being Depreciated	1,305,839		0	1,442,768
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	192,542	5,631	0	198,173
Total Capital Assets Being Depreciated	11,000,983	5,631	0	11,006,614
 Total Capital Assets	 12,306,822	 142,560	 0	 12,449,382
Accumulated Depreciation:				
Buildings	(3,100,715)	(162,356)	0	(3,263,071)
Building and Site Improvements	(2,577,379)	(258,876)	0	(2,836,255)
Vehicles	(91,353)	0	0	(91,353)
Furniture and Equipment – Dwelling	(100,909)	(1,916)	0	(102,825)
Furniture and Equipment – Administration	(143,385)	(7,648)	0	(151,033)
Total Accumulated Depreciation	(6,013,741)	(430,796)	0	(6,444,537)
 Net Capital Assets Being Depreciated	 4,987,242	 (425,165)	 0	 4,562,077
Net Capital Assets	\$6,293,081	(\$288,236)	\$0	\$6,004,845

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**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.

**NOTE 5-DEFINED PENSION PLANS AND POSTRETIREMENT BENEFIT**

**RETIREMENT SYSTEM PENSION PLAN**

All Gallia Metropolitan Housing Authority’s full time employees participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Plan-a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan-a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan-a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS 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 and disability benefits, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and 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. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 42315-4562 or by calling (614) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The employee contribution rates effective for 2006 were 8.5% of their salary. The 2006 employer contribution rate relating to employees 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. As of September 30, 2006, the Authority had no outstanding amounts owed to PERS. The Authority’s contribution to PERS for the years ending December 31, 2006, 2005 and 2004 were \$47,066, \$44,198, and \$42,922 respectively which are equal to the required contributions for each year.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

OPERS provides retirement, disability, and survivor benefits as well as post retirement health care coverage to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverage.

In order to qualify for post retirement health care coverage, age and service retirees 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 is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement Nos. 12 and 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 800-222-7377.

- B. The Ohio Revised Code provides the statutory authority requiring public employer units to fund post retirement health care through their contributions to OPERS.
- C. Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Review performed as of December 31, 2005.

Funding Method – An individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – 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 annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2005 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).



**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

**PUBLIC EMPLOYEES RETIREMENT SYSTEM** (Continued)

D. OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,214 as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804.
2. The employer contributions that were used to fund post employment benefits were \$47,066 for 2006.
3. \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2005.
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

E. OPERS Retirement Board implements a Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**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, 2006, using the vested method of accrual, \$30,042 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.

**GALLIA METROPOLITAN HOUSING AUTHORITY**  
BIDWELL, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 8 – CONTINGENCIES**

*Grants*

The Authority received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2006.

*Litigation*

The Authority is not party to any legal proceedings.

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

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

A prior period adjustment was made to correct beginning net assets to be in accordance with PIH Notice 2006-003. The following is the affect on net assets:

Net Assets, December 31, 2005	\$ 7,288,209
Implementation of 2006-003	<u>28,740</u>
Restated Net Assets, December 31, 2005	\$ 7,316,949

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2006

DIRECT FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:	FEDERAL CFDA NUMBER	2006 FEDERAL EXPENDITURES
Low Rent Public Housing	14.850a	\$486,537
Section 8 Housing Choice Vouchers	14.871	536,601
Public Housing Capital Fund	14.872	<u>188,304</u>
<b>TOTAL - ALL PROGRAMS</b>		<b><u><u>\$1,211,442</u></u></b>

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, 2006**

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

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

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF NET ASSETS BY PROGRAM  
 AS OF DECEMBER 31, 2006

	Section 8 Voucher	Public Housing	Capital Fund	Interprogram Eliminations	Total Enterprise
<i>Assets</i>					
Current Assets:					
Cash - Unrestricted	\$ 4,435	\$ 232,755	\$ -	\$ -	\$ 237,190
Restricted Cash - Tenant Security Deposits	-	19,182	-	-	19,182
Accounts Receivable:					
Fraud Recovery	2,931	-	-	-	2,931
Tenants - Dwelling Rents	-	2,426	-	-	2,426
Investments - Unrestricted	-	1,088,982	-	-	1,088,982
Inventories	-	29,037	-	-	29,037
Interprogram Due From	-	111,664	-	(111,664)	-
Prepaid Expense	3,693	10,891	-	-	14,584
<b>Total Current Assets</b>	<b>11,059</b>	<b>1,494,937</b>	<b>-</b>	<b>(111,664)</b>	<b>1,394,332</b>
Noncurrent Assets:					
Capital Assets:					
Non-depreciable Capital Assets	-	879,069	563,699	-	1,442,768
Depreciable Capital Assets	-	4,562,077	-	-	4,562,077
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>5,441,146</b>	<b>563,699</b>	<b>-</b>	<b>6,004,845</b>
<b>Total Assets</b>	<b>11,059</b>	<b>6,936,083</b>	<b>563,699</b>	<b>(111,664)</b>	<b>7,399,177</b>
<i>Liabilities</i>					
Current Liabilities:					
Accrued Wages/Payroll Taxes Payable	390	12,408	-	-	12,798
Accounts Payable					
<=90 days past due	2,469	17,924	-	-	20,393
Compensated Absences	1,797	2,216	-	-	4,013
Tenant Security Deposits	-	18,668	-	-	18,668
Interprogram Due To	111,664	-	-	(111,664)	-
<b>Total Current Liabilities</b>	<b>116,320</b>	<b>51,216</b>	<b>-</b>	<b>(111,664)</b>	<b>55,872</b>
Noncurrent Liabilities:					
Deferred Insurance Proceeds	-	2,804	-	-	2,804
Noncurrent liabilities- Other	-	156,125	-	-	156,125
Compensated Absences	11,161	14,868	-	-	26,029
<b>Total Noncurrent Liabilities</b>	<b>11,161</b>	<b>173,797</b>	<b>-</b>	<b>-</b>	<b>184,958</b>
<b>Total Liabilities</b>	<b>127,481</b>	<b>225,013</b>	<b>-</b>	<b>(111,664)</b>	<b>240,830</b>
<i>Net Assets</i>					
Invested in Capital Assets, Net of Related Debt	-	5,441,146	563,699	-	6,004,845
Unrestricted	(116,422)	1,269,924	-	-	1,153,502
<b>Total Net Assets</b>	<b>\$ (116,422)</b>	<b>\$ 6,711,070</b>	<b>\$ 563,699</b>	<b>\$ -</b>	<b>\$ 7,158,347</b>

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM  
 YEAR ENDING DECEMBER 31, 2006

	Section 8 Voucher	Public Housing	Capital Fund	Total Enterprise
<i>Operating Revenues</i>				
Tenant Revenues:				
Net Tenant Rental Revenue	\$ -	\$ 104,691	\$ -	\$ 104,691
Total Tenant Revenue	-	104,691	-	104,691
HUD PHA Grants/Operating Grants	536,601	486,537	51,375	1,074,513
Other Revenue	-	12,011	-	12,011
Total Operating Revenue	536,601	603,239	51,375	1,191,215
<i>Operating Expenses</i>				
Administrative:				
Administrative Salaries	71,100	170,723	-	241,823
Auditing Fees	2,856	2,857	-	5,713
Employee Benefit Contributions	37,957	86,412	-	124,369
Compensated Absences	3,246	217	-	3,463
Other Operating	21,311	37,417	-	58,728
Total Administrative	136,470	297,626	-	434,096
Tenant Services:				
Other	-	1,823	-	1,823
Total Tenant Services	-	1,823	-	1,823
Utilities:				
Water	-	100,669	-	100,669
Electricity	-	15,198	-	15,198
Gas	-	3,775	-	3,775
Total Utilities	-	119,642	-	119,642
Ordinary Maintenance & Operation:				
Labor	-	101,329	-	101,329
Materials and Other	-	72,438	-	72,438
Contract Costs	-	12,668	-	12,668
Employee Benefit Contributions	-	51,302	-	51,302
Total Ordinary Maintenance Operation	-	237,737	-	237,737
Protective Services:				
Protective Services- Labor	-	1,610	-	1,610
Protective Services- Other Contract Costs	-	674	-	674
Total Protective Services	-	2,284	-	2,284
General Expenses:				
Insurance Premiums	4,147	45,911	-	50,058
Payments in Lieu of Taxes	-	1,614	-	1,614
Bad Debt-Tenant Rents	-	1,709	-	1,709
Total General Expenses	4,147	49,234	-	53,381
Other Expenses:				
Housing Assistance Payments	404,798	-	-	404,798
Depreciation Expense	-	430,796	-	430,796
Total Other Expenses	404,798	430,796	-	835,594
Total Operating Expenses	545,415	1,139,142	-	1,684,557
Operating Income/(Loss)	(8,814)	(535,903)	51,375	(493,342)
<i>Nonoperating Revenues:</i>				
Capital Grants	-	-	136,929	136,929
Investment Income - Unrestricted	27	54,816	-	54,843
Total Nonoperating Revenues	27	54,816	136,929	191,772
<i>Other Financing Sources/(Uses)</i>				
Transfers In	-	51,375	-	51,375
Transfers Out	-	-	(51,375)	(51,375)
Gain on Sale of Fixed Assets	-	142,968	-	142,968
Total Other Financing Sources/(Uses)	-	194,343	(51,375)	142,968
Change in Net Assets	(8,787)	(286,744)	136,929	(158,602)
Net Assets, Beginning of Year (Restated- See Note 9)	(107,635)	6,997,814	426,770	7,316,949
Net Assets, End of Year	<u>\$ (116,422)</u>	<u>\$ 6,711,070</u>	<u>\$ 563,699</u>	<u>\$ 7,158,347</u>

GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 STATEMENT OF CASH FLOWS BY PROGRAM  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Section 8 Voucher	Public Housing	Capital Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from tenants	\$ -	\$ 103,131	\$ -	\$ 103,131
Receipts from operating grants	536,601	486,537	51,375	1,074,513
Other operating receipts		12,011	-	12,011
Housing assistance payments	(381,539)	-	-	(381,539)
Payments for general and administrative expense	(160,652)	(704,320)	-	(864,972)
Net Cash Provided By/(Used For) Operating Activities	<u>(5,590)</u>	<u>(102,641)</u>	<u>51,375</u>	<u>(56,856)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Change in investments	-	(133,387)	-	(133,387)
Interest	27	54,816	-	54,843
Net Cash Provided By Investing Activities	<u>27</u>	<u>(78,571)</u>	<u>-</u>	<u>(78,544)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital Grants	-	-	136,929	136,929
Interprogram Transfers	-	51,375	(51,375)	-
Construction and acquisitions of capital assets	-	(5,542)	(136,929)	(142,471)
Gain on Sale of Fixed Assets	-	142,968	-	142,968
Net Cash Used By Capital Financing Activities	<u>-</u>	<u>188,801</u>	<u>(51,375)</u>	<u>137,426</u>
Net Increase/(Decrease) In Cash and Cash Equivalents	(5,563)	7,589	-	2,026
Cash At The Beginning Of Year (Restated - See Note 9)	<u>9,998</u>	<u>244,348</u>	<u>-</u>	<u>254,346</u>
Cash At End Of Year	<u><u>4,435</u></u>	<u><u>251,937</u></u>	<u><u>-</u></u>	<u><u>256,372</u></u>
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES</b>				
Net Operating Income/(Loss)	(8,814)	(535,903)	51,375	(493,342)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:				
Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows:				
(Increase) Decrease In:				
Accounts Receivable - dwelling rent	-	(1,560)	-	(1,560)
Prepaid Expenses	-	2,077	-	2,077
Inventory	-	107	-	107
Interprogram - due from	-	(448)	-	(448)
Increase (Decrease) In:				
Accounts Payable	(676)	(1,529)	-	(2,205)
Security Deposits	-	1,853	-	1,853
Accrued Wages and Taxes	206	1,749	-	1,955
Accrued Compensated Absences	3,246	217	-	3,463
Interprogram - due to	448	-	-	448
Depreciation Expense	-	430,796	-	430,796
Total Adjustments	<u>3,224</u>	<u>433,262</u>	<u>-</u>	<u>436,486</u>
Net Cash Provided By Operating Activities	<u><u>\$ (5,590)</u></u>	<u><u>\$ (102,641)</u></u>	<u><u>\$ 51,375</u></u>	<u><u>\$ (56,856)</u></u>

GALLIA METROPOLITAN HOUSING AUTHORITY  
BIDWELL, OHIO  
SCHEDULE OF ACTIVITY  
YEAR ENDING DECEMBER 31, 2006

At the close of the year ended December 31, 2006, the Gallia Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
Low Rent Public Housing	147
Section 8 Housing Choice Vouchers	<u>175</u>
Total Units	<u><u>322</u></u>



# BALESTRA, HARR & SCHERER CPAs, INC.

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

Board of Commissions  
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, 2006, and have issued our report thereon dated June 20, 2007, in which we indicated the Authority implemented Governmental Accounting Standards Board Statements No. 46 and 47. We have also audited the Authority's compliance with requirements applicable to major HUD-assisted programs and have issued our report thereon dated June 20, 2007.

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

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

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

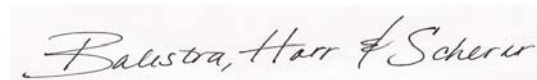
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements, or (b) material noncompliance with applicable requirements of a HUD-assisted program, will not be prevented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

Board of Commissioners  
Gallia Metropolitan Housing Authority

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
June 20, 2007

# BALESTRA, HARR & SCHERER, CPAs, INC.

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

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **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, 2006. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2006.

### **Internal Control Over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Members of the Board

Gallia Metropolitan Housing Authority

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

Page 2

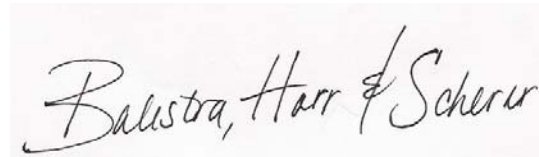
**Internal Control Over Compliance (Continued)**

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the 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 black ink on a light-colored background.

Balestra, Harr & Scherer CPAs, Inc.

June 20, 2007

**GALLIA METROPOLITAN HOUSING AUTHORITY  
 BIDWELL, OHIO  
 YEAR ENDING DECEMBER 31, 2006**

**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):	Section 8 Housing Choice Vouchers, CFDA# 14.871
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**GALLIA METROPOLITAN HOUSING AUTHORITY  
BIDWELL, OHIO  
YEAR ENDING DECEMBER 31, 2006**

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

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

None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

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



**Mary Taylor, CPA**  
Auditor of State

**GALLIA METROPOLITAN HOUSING AUTHORITY**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 21, 2007**