

Hocking Metropolitan Housing Authority

General Purpose Financial Statements

For the Year Ended December 31, 2002



**Auditor of State
Betty Montgomery**

Board of Directors
Hocking Metropolitan Housing Authority
Logan, Ohio

We have reviewed the Independent Auditor's Report of the Hocking Metropolitan Housing Authority, Hocking County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2002 through December 31, 2002. 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 Hocking Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

September 10, 2003

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HOCKING METROPOLITAN HOUSING AUTHORITY
 AUDIT REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2002

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Balance Sheet - Proprietary Fund Type - Enterprise Fund	3
Combined Statement of Revenues, Expenses and Change in Fund Equity - Proprietary Fund Type - Enterprise Fund	4
Combined Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	5
Notes to the General Purpose Financial Statements	6-14
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	15-18
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	19 – 21
PHA's Statement and Certification of Actual Modernization Cost:	
- Comprehensive Improvement Assistance Grant Number OH16P03291199	22
- Capital Fund Program Grant Number OH16P032501-00	23
- Capital Fund Program Grant Number OH16P032501-01	24
Schedule of Expenditures of Federal Awards	25
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	26-27
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	28-29
Schedule of Findings and Questioned Costs	30-31
Schedule of Prior Audit Findings	32

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SALVATORE CONSIGLIO, CPA, INC.

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Independent Auditors' Report

Board of Directors
Hocking Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Hocking Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purposes financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hocking Metropolitan Housing Authority, Ohio, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

In accordance with *Government Auditing Standards*, I have also issued a report dated June 20, 2003, on my consideration of Hocking Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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



Salvatore Consiglio, CPA, Inc.
June 20, 2003

Hocking Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type - Enterprise Fund
 December 31, 2002

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$127,330
Investments	320,522
Receivables - Net of Allowance	163,633
Inventory	12,119
Deferred Charges and Other Assets	<u>5,982</u>

TOTAL CURRENT ASSETS 629,586

Fixed Assets - Net of Accumulated Depreciation 6,031,539

TOTAL ASSETS \$6,661,125

LIABILITIES AND FUND EQUITY

CURRENT LIABILITES:

Accounts Payable	\$11,063
Intergovernmental Payables	57,294
Accrued Wages/Payroll Taxes	29,066
Tenant Security Deposits	22,626
Deferred Credits and Other Liabilities	1,915
Current Portion of Long-term Debt	<u>218,659</u>

TOTAL CURRENT LIABILITES 340,623

NONCURRENT LIABILITES:

Long-term Debt	280,258
Other Long-term Liabilities	<u>12,501</u>

TOTAL NONCURRENT LIABILITES 292,759

TOTAL LIABILITES 633,382

FUND EQUITY:

Contributed Capital	5,007,169
Unreserved Fund	<u>1,020,574</u>

TOTAL FUND EQUITY 6,027,743

TOTAL LIABILITIES AND FUND EQUITY \$6,661,125

The accompanying notes to the general purpose financial statements are an integral part of these statements.

Hocking Metropolitan Housing Authority
 Combined Statement of Revenue, Expenses and Change in Fund Equity
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended December 31, 2002

<u>REVENUE</u>	
Tenant Rental Revenue	\$351,547
Program Grant/Subsidies	1,812,703
Interest	14,611
Other Income	17,595
	2,196,456
TOTAL REVENUE	2,196,456
<u>EXPENSES</u>	
Administrative	311,321
Tenant Services	10,106
Utilities	100,182
Maintenance	282,836
General	108,664
Housing Assistance Payments	847,714
Depreciation	356,857
	2,017,680
TOTAL EXPENSES	2,017,680
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER)	178,776
Beginning Equity	5,842,577
Prior Period Adjustments	6,390
	5,848,967
ENDING FUND EQUITY	\$6,027,743

The accompanying notes to the general purpose financial statements are an integral part of these statements.

Hocking Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Operating Income/(Loss)	\$178,776
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	356,857
- (Increases) Decreases in Accounts Receivable	51,015
- (Increases) Decreases in Prepaid Expenses	-1,796
- Increases (Decreases) Accounts Payable	-2,861
- Increases (Decreases) in Deferred Credits and Other Liabilities	-4,693
- Prior Period Adjustments Affecting Cash	-6,390
	392,132
Total Adjustments	
	392,132
NET CASH PROVIDED BY OPERATING ACTIVITIES	570,908

CASH FLOWS FROM INVESTING ACTIVITIES:

Change in Material Inventory	1,149
	1,149
NET CASH PROVIDED IN INVESTING ACTIVITIES	1,149

CASH FLOWS FROM FINANCING ACTIVITIES:

Purchase of Assets	-561,623
Proceeds from New Loan	43,688
Debt Principal Payment	-14,362
	-532,297
NET CASH USED IN FINANCING ACTIVITIES	-532,297
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,760
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	87,570
CASH AND CASH EQUIVALENTS - END OF YEAR	\$127,330

The accompanying notes to the general purpose financial statements are an integral part of these statements.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Fund Accounting

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

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

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2002 totaled \$14,611.

Fixed Assets

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

Cash and Cash Equivalents

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

Compensated Absences

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

Budgetary Accounting

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

Estimates

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

NOTE 2: CASH AND INVESTMENTS

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

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

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

Category 3 – Uncollateralized.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash					
Equivalents	\$145,932	\$145,932	\$0	\$0	\$127,330
Investments	334,505	334,505	0	0	320,522
Total Deposits	<u>\$480,437</u>	<u>\$480,437</u>	<u>\$0</u>	<u>\$0</u>	<u>\$447,852</u>

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

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

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

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

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

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

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

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2002 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 4: RISK MANAGEMENT (Continued)

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

NOTE 5: FIXED ASSETS

The following is a summary:

Land	\$616,300
Buildings	8,172,443
Furniture, Machinery and Equipment	97,657
Leasehold Improvement	<u>1,476,651</u>
Total Fixed Assets	10,363,051
Accumulated Depreciation	<u>-4,331,512</u>
Net Fixed Assets	<u><u>\$6,031,539</u></u>

The following is a summary of changes:

	Balance 12/31/01	Adjust.	Additions	Deletion	Balance 12/31/02
Land	\$602,352	\$0	\$13,948	\$0	\$616,300
Buildings	7,920,745	0	251,698	0	8,172,443
Furnt, Mach. and Equip.	94,332	0	3,325	0	97,657
Leasehold Improvement	<u>1,183,999</u>	<u>0</u>	<u>292,652</u>	<u>0</u>	<u>1,476,651</u>
Total Fixed Assets	<u>\$9,801,428</u>	<u>\$ 0</u>	<u>\$561,623</u>	<u>\$ 0</u>	<u>\$10,363,051</u>

The depreciation expense for the year ended December 31, 2002 was \$356,857.

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

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended December 31, 2002, 2001 and 2000 were \$38,684, \$58,809, and \$54,490, respectively. The full amount has been contributed for 2001 and 2000. Ninety-two percent has been contributed for 2002, with the remainder being reported as a liability with the enterprise fund.

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of cover payroll.

The significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

HOCKING METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (CONTINUED)

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

Benefits are advance-funded using the entry age normal cost method. The number of active contributing participants was 411,076. The actuarial value of PERS of Ohio net assets available for OPEB at December 31, 2000 was \$11,735.9 million. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

NOTE 8: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment in total of \$185,098 was necessary to properly reconcile the beginning balance sheet amounts per the accounting records with the amounts reported in prior audit report. The adjustments are as follows:

Low Rent Public Housing:	
- Adjustment to properly state deferred income	\$ 4,800
- Adjustment to properly state payroll accrual	394
Housing Choice Voucher:	
- HUD Adjustment to FYE 2001 Administration Fee earned	1,196
	\$ 6,390
Total Prior Period Adjustment	\$ 6,390

NOTE 9: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

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

NOTE 10: LONG-TERM DEBT

The long-term debts are loans for purchase of property from the Board Funds. Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2003	\$218,659
2004	14,887
2005	15,367
2006	15,847
2007	16,327
Later Years	217,830
Total	\$498,917

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(CONTINUED)

NOTE 11: EQUITY AND OTHER CREDITS

The following is the change in Fund Equity for the year:

	Contributed Capital	Unreserved Fund Balance	Total
Balance as of December 31, 2001	\$5,360,461	\$482,116	\$5,842,577
Reclassification for GASB 33	-25,394	25,394	0
Depreciation Expense	-327,898	-28,959	-356,857
Net Income	0	535,633	535,633
Prior Period Adjustment	0	6,390	6,390
Balance as of December 31, 2002	<u>\$5,007,169</u>	<u>\$1,020,574</u>	<u>\$6,027,743</u>

Hocking Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$18,105	\$0	\$0	\$46,817	\$0	\$39,782	\$104,704
114	Cash – Tenant Security Deposit	19,416	0	0	0	0	3,210	22,626
100	Total Cash	37,521	0	0	46,817	0	42,992	127,330
125	Accounts Receivable - Miscellaneous	6,863	0	0	16,250	0	141,654	164,767
126	Accounts Receivable - Tenants - Dwelling Rents	3,566	0	0	0	0	0	3,566
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-1,000	0	0	0	0	0	-1,000
126.2	Allowance for Doubtful Accounts - Other	-3,700	0	0	0	0	0	-3,700
120	Total Receivables, net of allowances for doubtful accounts	5,729	0	0	16,250	0	141,654	163,633
131	Investments - Unrestricted	279,932	0	0	40,590	0	0	320,522
142	Prepaid Expenses and Other Assets	4,067	0	0	0	0	1,915	5,982
143	Inventories	12,416	0	0	1,050	0	0	13,466
143.1	Allowance for Obsolete Inventories	-1,242	0	0	-105	0	0	-1,347
144	Interprogram Due From	5,860	0	0	0	0	0	5,860
150	Total Current Assets	344,283	0	0	104,602	0	186,561	635,446

Hocking Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
161	Land	588,252	0	0	0	0	28,048	616,300
162	Buildings	7,450,217	145,987	0	0	232,108	344,131	8,172,443
163	Furniture, Equipment & Machinery - Dwellings	34,968	0	0	0	0	3,325	38,293
164	Furniture, Equipment & Machinery - Administration	12,138	35,177	0	12,049	0	0	59,364
165	Leasehold Improvements	1,183,999	0	0	0	260,530	32,122	1,476,651
166	Accumulated Depreciation	-4,204,600	-49,285	0	-12,049	-12,905	-52,673	-4,331,512
160	Total Fixed Assets, Net of Accumulated Depreciation	5,064,974	131,879	0	0	479,733	354,953	6,031,539
190	Total Assets	\$5,409,257	\$131,879	\$0	\$104,602	\$479,733	\$541,514	\$6,666,985
312	Accounts Payable <= 90 Days	\$6,816	\$0	\$0	\$2,697	\$0	\$1,550	\$11,063
321	Accrued Wage/Payroll Taxes Payable	15,569	0	0	0	0	0	15,569
322	Accrued Compensated Absences - Current Portion	9,650	0	0	3,458	0	389	13,497
331	Accounts Payable - HUD PHA Programs	0	0	0	37,070	0	0	37,070

Hocking Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
333	Accounts Payable - Other Government	20,224	0	0	0	0	0	20,224
341	Tenant Security Deposits	19,416	0	0	0	0	3,210	22,626
342	Deferred Revenues	0	0	0	0	0	1,915	1,915
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	0	218,659	218,659
347	Interprogram Due To	0	0	0	0	0	5,860	5,860
310	Total Current Liabilities	71,675	0	0	43,225	0	231,583	346,483
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	0	280,258	280,258
354	Accrued Compensated Absences - Non Current	9,513	0	0	2,578	0	410	12,501
350	Total Noncurrent Liabilities	9,513	0	0	2,578	0	280,668	292,759
300	Total Liabilities	81,188	0	0	45,803	0	512,251	639,242
504	Net HUD PHA Contributions	4,869,040	131,879	0	0	0	0	5,000,919
507	Other Contributions	6,250	0	0	0	0	0	6,250
508	Total Contributed Capital	4,875,290	131,879	0	0	0	0	5,007,169

Hocking Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
512	Undesignated Fund Balance/Retained Earnings	452,779	0	0	58,799	479,733	29,263	1,020,574
513	Total Equity/Net Assets	5,328,069	131,879	0	58,799	479,733	29,263	6,027,743
600	Total Liabilities and Equity	\$5,409,257	\$131,879	\$0	\$104,602	\$479,733	\$541,514	\$6,666,985

Hocking Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Fund Equity
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$297,195	\$0	\$0	\$0	\$0	\$45,680	\$342,875
704	Tenant Revenue - Other	8,672	0	0	0	0	0	8,672
705	Total Tenant Revenue	305,867	0	0	0	0	45,680	351,547
706	HUD PHA Operating Grants	295,772	0	0	988,362	35,931	0	1,320,065
706.1	Capital Grants	0	0	0	0	492,638	0	492,638
711	Investment Income - Unrestricted	12,784	0	0	1,259	0	568	14,611
715	Other Revenue	0	0	0	130	0	17,465	17,595
700	Total Revenue	614,423	0	0	989,751	528,569	63,713	2,196,456
911	Administrative Salaries	61,192	0	0	60,176	18,719	3,570	143,657
912	Auditing Fees	2,098	0	0	3,302	0	0	5,400
915	Employee Benefit Contributions - Administrative	18,460	0	0	22,206	3,736	368	44,770
916	Other Operating - Administrative	41,851	0	0	42,898	13,476	19,269	117,494
924	Tenant Services - Other	10,106	0	0	0	0	0	10,106
931	Water	34,628	0	0	0	0	2,065	36,693
932	Electricity	50,967	0	0	0	0	1,723	52,690
933	Gas	4,799	0	0	0	0	1,440	6,239

Hocking Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Fund Equity
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Public Housing Comprehensive Improvement Assistance Program	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
938	Other Utilities Expense	4,560	0	0	0	0	4,560
941	Ordinary Maintenance and Operations - Labor	140,032	0	0	0	4,928	144,960
942	Ordinary Maintenance and Operations - Materials and Other	49,970	0	0	281	6,581	56,832
943	Ordinary Maintenance and Operations - Contract Costs	74,455	0	0	6,589	0	81,044
945	Employee Benefit Contributions - Ordinary Maintenance	47,497	0	0	0	0	47,497
961	Insurance Premiums	17,300	0	0	0	2,035	19,335
962	Other General Expenses	116	0	0	0	0	116
963	Payments in Lieu of Taxes	20,224	0	0	0	0	20,224
964	Bad Debt - Tenant Rents	6,857	0	0	0	26	6,883
967	Interest Expense	0	0	0	0	14,609	14,609
969	Total Operating Expenses	585,112	0	0	135,452	35,931	813,109
970	Excess Operating Revenue over Operating Expenses	29,311	0	0	854,299	492,638	1,383,347
973	Housing Assistance Payments	0	0	0	847,714	0	847,714
974	Depreciation Expense	318,099	13,491	0	0	12,905	356,857
900	Total Expenses	903,211	13,491	0	983,166	48,836	2,017,680

Hocking Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Fund Equity
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
December 31, 2002

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Program	Section 8 Rental Certificate Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	-288,788	-13,491	0	6,585	479,733	-5,263	178,776
1103	Beginning Equity	5,367,914	389,119	249	50,769	0	34,526	5,842,577
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	248,943	-243,749	-249	1,445	0	0	6,390
	Ending Equity	<u>\$5,328,069</u>	<u>\$131,879</u>	<u>\$0</u>	<u>\$58,799</u>	<u>\$479,733</u>	<u>\$29,263</u>	<u>\$6,027,743</u>
1102	Debt Principal Payments - Enterprise Funds	0	0	0	0	0	14,362	14,362
1112	Depreciation Add Back	314,407	13,491	0	0	0	0	327,898
1113	Maximum Annual Contributions Commitment (Per ACC)	0	0	0	456,743	0	0	456,743
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	711,978	0	0	711,978
1115	Contingency Reserve, ACC Program Reserve	0	0	0	146,460	0	0	146,460
1116	Total Annual Contributions Available	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,315,181</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,315,181</u>
1120	Unit Months Available	1,968	0	0	3,672	0	0	5,640
1121	Number of Unit Months Leased	1,956	0	0	3,473	0	0	5,429

Hocking Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2002

Comprehensive Improvement Assistance Grant Number OH16P03291199

1. The Actual Modernization Costs are as follows:

Funds Approved	\$288,866
Funds Expended	<u>288,866</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on October 23, 2001.
4. The final costs on the certification agree to the Authority's records.

Hocking Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2002

Capital Fund Program Grant Number OH16P032501-00

1. The Actual Modernization Costs are as follows:

Funds Approved	\$272,679
Funds Expended	<u>272,679</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

5. All costs have been paid and there are no outstanding obligations.
6. The actual modernization cost certification was signed and filed on October 31, 2002.
7. The final costs on the certification agree to the Authority's records.

Hocking Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2002

Capital Fund Program Grant Number OH16P032501-01

1. The Actual Modernization Costs are as follows:

Funds Approved	\$277,111
Funds Expended	<u>277,111</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

8. All costs have been paid and there are no outstanding obligations.
9. The actual modernization cost certification was signed and filed on October 31, 2002.
10. The final costs on the certification agree to the Authority's records.

Hocking Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended December 31, 2002

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$295,772
Housing Choice Vouchers	14.871	988,362
Public Housing Capital Fund Program	14.872	<u>528,569</u>
TOTAL AWARDS		<u><u>\$1,812,703</u></u>

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SALVATORE CONSIGLIO, CPA, INC.

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

Board of Directors
Hocking Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2002, and have issued my report thereon dated June 20, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Hocking Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period

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by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

June 20, 2003

SALVATORE CONSIGLIO, CPA, INC.

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

Board of Directors
Hocking Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Hocking Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. Hocking Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hocking Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Hocking Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

As described in item FED-2002-1 in the accompanying schedule of findings and questioned costs, Hocking Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions that are applicable to its Low Rent Public Housing and Housing Choice Voucher Programs. Compliance with such requirements is necessary, in my opinion, for Hocking Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

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In my opinion, except for the noncompliance described in the preceding paragraph, Hocking Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of Hocking Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Hocking Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Salvatore Consiglio, CPA, Inc.

June 20, 2003

Hocking Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any materials internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.871, 14.872 - Housing Choice Voucher & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended December 31, 2002.

Hocking Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2002

3. FINDINGS REALTED TO FEDERAL AWARDS

FINDING NUMBER

FED-2002-1

Third Party Documentation

U.S. Department of HUD

Low Rent Public Housing (CFDA # 14.850a)

Housing Choice Voucher Program (CFDA # 14.871)

Section 24 CFR 960.259 (c)(1) and 982.51(a)(2) states “The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;
- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income based rent.”

Third party verification is defined as independent verification of income and/or expenses by contacting the individual income/expense source supplied by the family. The verification documentation must be supplied directly to the independent source by the Public Housing Authority (PHA) and returned directly to the PHA from the independent source.

Per inquiry with the PHA Staff and per review of tenant files, it was discovered that the Hocking Metropolitan Housing Authority does not obtain proper third party verification of income and expenses. The PHA used verification brought in by the families. This is not incompliance with the above section of the regulation.

In addition, the review of the Public Housing Tenant files revealed the following errors:

- 2 of the 18 files examined did not properly document the medical expenses.
- 3 of the 18 files contained an error in the income calculation.

Hocking Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2002

The audit report for the fiscal year ending December 31, 2001 contained not audit finding.



**Auditor of State
Betty Montgomery**

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HOCKING METROPOLITAN HOUSING AUTHORITY

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 30, 2003**