Hocking Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2006

Mary Taylor, CPA
Auditor of State

Board of Directors
Hocking Metropolitan Housing Authority
50 South High Street
Logan, Ohio 43138

We have reviewed the *Independent Auditors' Report* of the Hocking Metropolitan Housing Authority, Hocking County, prepared by Salvatore Consiglio, CPA, 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 Hocking Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2007

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HOCKING METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

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SALVATORE CONSIGLIO, CPA, INC.

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Independent Auditors' Report

Board of Directors
Hocking Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hocking Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hocking Metropolitan Housing Authority, Ohio, as of December 31, 2006, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 17, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my 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 consider in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming and opinion on the Basic Financial Statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the 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 Basic Financial Statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the Basic Financial Statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.
August 17, 2007

HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

Unaudited

It is a privilege to present for you the financial picture of Hocking Metropolitan Housing Authority. The Hocking Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- Net assets were $5,365,054 and $5,516,984 for 2006 and 2005, respectively. The Authority-wide statements reflect a decrease in total net assets of $151,930 (or 2.75%), during 2006. This decrease is reflective of the year's activities.

- The business-type activity revenue increased by $433,251 (or 20.54%) during 2006, and was $2,542,793 and $2,109,542 for 2006 and 2005, respectively.

- The total expenses of all Authority programs increased by $289,854 (or 12.05%). Total expenses were $2,694,723 and $2,404,869 for 2006 and 2005, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Authority-wide Financial Statements ~ ~ Fund Financial Statement ~ ~ Notes to Financial Statements ~
Other Required Supplementary Information ~ Required Supplementary Information (other than MD&A) ~

Unaudited

The focus is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "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 represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

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

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

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

Unaudited

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

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

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires the programs be maintained by the Authority.

The Authority's Programs

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

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

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Unaudited

Other Business (O'Neill) – Hocking Metropolitan Housing Authority operates several other business activities not related to the major federal housing programs. At present HMHA owns 15 open market apartments. Some of the units are rented to voucher holders. HMHA also provides lead inspection and clearance services to other PHA's and non-profit organizations. HMHA also performs property management services to other community agencies servicing special needs populations. Properties developed under this program are developed to be available to low and moderate-income families. The rent does not exceed 30% of income for families at 50% of median income for Hocking County.

HMHA completed the sale of a home developed under the Youth Build Program. All construction loans were paid off during this reporting period. HMHA retains a receivable from Hocking Housing Management, Inc. This was for funding advanced for the American Dream program operating by HHM. Hocking Metropolitan Housing is accruing interest on this account.

State/Local (Help Me Grow) – HMHA has sought other resources in order to provide social services to their residents. HMHA has assumed administrative responsibility for the Help Me Grow program. Help Me Grow is a State of Ohio program targeted to coordinate services for families with at risk children under the age of 3. Program is funded from TANF, Medicaid Part C and State of Ohio General Revenue Funds. This program is to be the springboard for the development of a complete social service program for all HMHA clients.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

Unaudited

TABLE 1
STATEMENT OF NET ASSETS

	2006	2005
Current and Other Assets	$ 664,836	$ 664,315
Capital Assets	5,118,881	5,359,046
Other Noncurrent Assets	1,288,000	-
Total Assets	$ 7,071,717	$ 6,023,361
Current Liabilities	$ 327,689	$ 257,904
Long-Term Liabilities	1,378,974	248,473
Total Liabilities	1,706,663	506,377
Net Assets:		
Investment in Capital Assets, net of Related Debt	3,698,048	5,103,826
Unrestricted Net Assets	1,667,006	413,158
Total Net Assets	5,365,054	5,516,984
Total Liabilities and Net Assets	$ 7,071,717	$ 6,023,361

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

During 2006, current and other assets increased by $521, and current liabilities increased by $69,785. The current and other assets, primarily cash and investments, decreased because of the results from operation and also due to Pine Ridge activity.

During 2006, HMHA completed deferred loan to Pine Ridge Housing Partners, LLC of $1,000,000. Funds to loan Pine Ridge LLC were generated by $100,000 from Capital Grant funds and $900,000 note from Chase Bank which has been secured by the Capital Grant CFFP Program. HMHA loaned an additional $288,000 to Pine Ridge Housing partners LLC funded from an AHP Grant to HMHA from the Federal Home Loan Bank.

Unaudited

Capital assets also changed, decreasing from $5,359,046 to $5,118,881. The $240,165 decrease may be contributed primarily to a combination of net acquisitions/disposal ($126,097), less current year depreciation and amortization ($366,262). For more detail see "Capital Assets" below.

TABLE 2

CHANGE OF NET ASSETS

Table 2 presents details on the change in Net Assets

		Unrestricted		Investment in Fixed Aseets
Beginning Balance - December 31, 2005	$	413,158	$	5,103,826
Results of Operation		(151,930)		-
Adjustments:				
Current year Depreciation Expense (1)		366,262		(366,262)
Capital Expenditure (2)		(147,672)		147,672
Current year Debt Proceeds Net of Retirement		1,165,613		(1,165,613)
Capital Assets Disposed		21,575		(21,575)
Ending Balance - December 31, 2006	$	1,667,006	$	3,698,048

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

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

HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

Unaudited

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	2006	2005
Revenues		
Total Tenant Revenues	$ 378,513	$ 407,665
Operating Subsidies	1,869,475	1,656,487
Capital Grants	243,871	-
Investment Income	22,570	10,760
Other Revenues	28,364	34,630
Total Revenues	**2,542,793**	**2,109,542**
Expenses		
Administrative	772,081	622,518
Tenant Services	3,123	5,441
Utilities	117,330	112,966
Maintenance	411,532	375,932
General and Interest Expenses	55,141	74,975
Housing Assistance Payaments	947,679	850,426
Depreciation	366,262	362,611
Loss on Disposal of Assets	21,575	-
Total Expenses	**2,694,723**	**2,404,869**
Net Increases (Decreases)	**$ (151,930)**	**$ (295,327)**

Unaudited

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

During 2006, capital grants funds were used in the amount of $243,871. None were used in the previous year. Investment income is up due to better rates in the market. Operating subsidies are up in the Voucher Program that coincides with the increase in housing assistance payments.

Maintenance expenses are up due to utilizing the capital grants for continuance maintenance of the projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had $5,118,881 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of $240,165 from the end of last year.

TABLE 4

Capital Assets at Year-End (Net of Depreciation)

The following reconciliation summarizes the change in Capital Assets.

	2006	2005
Land and Land Rights	$ 987,619	$ 987,619
Buildings	8,298,333	8,230,385
Equipment	123,930	114,909
Leasehold Improvements	1,444,529	1,444,529
Accumulated Depreciation	(5,735,530)	(5,418,396)
Total	$ 5,118,881	$ 5,359,046

HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006

Unaudited

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance - December 31, 2005	$	5,359,046
Current year Additions		147,672
Current year Disposal, net		(21,575)
Current year Depreciation Expense		(366,262)
Beginning Balance - December 31, 2006	$	5,118,881

Current year Additions are summarized as follows:		
Capital Funded Activities	$	143,871
Siding for a unit (O'Neill Allen)		3,801
Total 2006 Additions	$	147,672

This year's major additions are:

HMHA purchased a 13-acre tract using Capital Grant Funds. The land will be used in three separate projects.

Project 1 is a mixed financed project consisting of 72 apartments. HMHA has procured a developmental partner, Frontier Community Services, to develop this project. This project has been awarded to Low Income Housing Tax Credits, Ohio Housing Trust Funds, Federal Home Bank Affordable House Funds and private bank financing. The project will have HUD CFFP and a Mixed Finance ACC. Construction for the Project began in 2005. Construction was completed September 30, 2006. The project was 100% occupied on October 1, 2006. HMHA closed the $900,000 CFFP loan with Chase Bank September 20, 2006. The HUD CFFP Agreement was signed and submitted to HUD in September of 2006. All of the required signed documents for the Mixed Financed ACC were submitted to HUD in FY 2007.

The general partnership, Pine Ridge Housing Partners, Inc. was organized in 2005. This will be the fiscal agent for Pine Ridge Housing Partners, LLC.

Project 2 is the development of a new administrative building. HMHA plans on developing this facility with future Capital Grant Funds.

Unaudited

Project 3 will be development of a new day care center. This project will be undertaken after both project 1 and 2 have been completed.

Debt Administration

HMHA has secured tax-exempt debt to finance its non-federal business activities. HMHA has two types of debt on place. Long-term debt, which is self-amortized over a fixed term, is used for financing income-generating apartments. Short-term debt, which is interest only with a balance due at the end of its term, is used for construction financing of the single-family homes to be sold. The 15 open market apartments are used to secure the debt. The other debt is a Capital Lease, which is used to finance the acquisition of a Satellite TV System. Income for business operation is sufficient to meet debt expenses.

During FY 2006 HMHA refinanced two of its duplex properties. HMHA used earned development fees to reduce debt to $40,000 on each property and reamortized to a thirty year note. The new debt is with National City Bank through the Federal Home Loan Community Assistance Program.

Table 6 - Condensed Statement of Changes in Debt Outstanding

Beginning Balance - December 31, 2005	$	255,220
Currenty Year Loans		1,268,000
Current Year Loan Retirements		(102,387)
Beginning Balance - December 31, 2006	$	1,420,833

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

IN CONCLUSION

Hocking Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Craig Garrelts, Executive Director of the Hocking Metropolitan Housing Authority at (740) 385-3883.

Hocking Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
December 31, 2006

ASSETS	
Current assets	
Cash and cash equivalents	$126,118
Investments	370,916
Receivables, net	133,287
Inventories, net	4,885
Prepaid expenses and other assets	29,630
Total current assets	**664,836**
Noncurrent assets	
Capital assets:	
Land	987,619
Building and equipment	9,866,792
Less accumulated depreciation	(5,735,530)
Capital assets, net	5,118,881
Other noncurrent assets	1,288,000
Total noncurrent assets	***6,406,881***
Total assets	**$7,071,717**
LIABILITIES	
Current liabilities	
Accounts payable	$76,760
Accrued liabilities	37,597
Intergovernmental payables	19,658
Tenant security deposits	26,225
Deferred revenue	109,994
Bonds, notes, and loans payable	57,455
Total current liabilities	***327,689***
Noncurrent liabilities	
Bonds, notes, and loans payable	1,363,378
Accrued compensated absences non-current	13,267
Noncurrent liabilities - other	2,329
Total noncurrent liabilities	***1,378,974***
Total liabilities	**$1,706,663**

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

Hocking Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2006

NET ASSETS	
Invested in capital assets, net of related debt	$3,698,048
Unrestricted net assets	1,667,006
Total net assets	**$5,365,054**

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

Hocking Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006

OPERATING REVENUES	
Tenant Revenue	$378,513
Government operating grants	1,869,475
Other revenue	28,364
Total operating revenues	**2,276,352**
OPERATING EXPENSES	
Administrative	772,081
Tenant services	3,123
Utilities	117,330
Maintenance	411,532
General	47,580
Housing assistance payment	947,679
Depreciation	366,262
Total operating expenses	***2,665,587***
Operating income (loss)	**(389,235)**
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	22,570
Loss on disposal of assets	(21,575)
Interest expense	(7,561)
Total nonoperating revenues (expenses)	***(6,566)***
Income (loss) before contributions and transfers	(395,801)
Capital grants	243,871
Change in net assets	(151,930)
Total net assets - beginning	5,516,984
Total net assets - ending	**$5,365,054**

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

Hocking Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	$1,838,772
Tenant revenue received	375,973
Other revenue received	28,924
General and administrative expenses paid	(1,329,908)
Housing assistance payments	(947,679)
Net cash provided (used) by operating activities	**(33,918)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	22,570
Transfer of cash from Investments	(27,581)
Note Receivable	(1,288,000)
Net cash provided (used) by investing activities	**(1,293,011)**
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Capital Grant Funds Received	243,871
Proceeds from debt issued	1,268,000
Debt principal payment	(102,387)
Interest paid on Debt	(7,561)
Property and equipment purchased	(147,672)
Net cash provided (used) by capital and related activities	**1,254,251**
Net increase (decrease) in cash	(72,678)
Cash and cash equivalents - Beginning of year	198,796
Cash and cash equivalents - End of year	**$126,118**

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

Hocking Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2006

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	($389,235)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	366,262
- (Increases) Decreases in Accounts Receivable	(34,751)
- (Increases) Decreases in Prepaid Assets	(18,223)
- (Increases) Decreases in Inventory	7,356
- Increases (Decreases) in Accounts Payable	52,420
- Increases (Decreases) in Accounts Payable - Intergovermental	(2,612)
- Increases (Decreases) in Other NonCurrent Liabilities	2,329
- Increases (Decreases) in Accrued Expenses Payable	(8,402)
- Increases (Decreases) in Deferred Revenue	(12,110)
- Increases (Decreases) in Other Current Liabilities	(265)
- Increases (Decreases) in Accrued Compensated Absences	3,990
- Increases (Decreases) in Tenant Security Deposits	(677)
Net cash provided by operating activities	**($33,918)**

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

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

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

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.

Basis of Presentation

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of Programs

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

A. Conventional Public Housing (PH)

Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

B. Capital Fund Program (CFP)

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

C. Housing Choice Voucher Program (HCVP)

Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Other Business (O'Neill)

Hocking Metropolitan Housing Authority operates several other business activities not related to the major federal housing programs. At present HMHA owns 15 open market apartments. Some of the units are rented to voucher holders. HMHA also provides lead inspection and clearance services to other PHA's and non-profit organizations. HMHA also performs property management services to other community agencies servicing special needs populations. Properties developed under this program are developed to be available to low and moderate-income families. The rent does not exceed 30% of income for families at 50% of median income for Hocking County. HMHA homeownership and home development for sale is also included in this activity. One home was under construction during FY 2003. Development was in partnership with the Youth Build program operated by another agency. The completed home will be sold to an eligible family upon its completion.

E. Other (Help Me Grow)

HMHA has sought other resources in order to provide social services to their residents. HMHA has assumed administrative responsibility for the Help Me Grow program. Help Me Grow is a State of Ohio program targeted to coordinate services for families with at risk children under the age of 3. Program is funded from TANF, Medicaid Part C and State of Ohio General Revenue Funds. This program is to be the springboard for the development of a complete social service program for all HMHA clients.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2006 totaled $22,570.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of $500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

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: DEPOSITS AND INVESTMENTS

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

A. 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

C. 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 end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Government Accounting Standards Board Statement No. 3 (GASB #3) has established custodial credit risk categories for deposits and investments as follows:

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

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

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

The carrying amount of the Authority's deposits was $126,118 at December 31, 2006. The corresponding bank balance was $184,872. Of the bank balance, $131,564 was covered by federal deposit insurance (FDIC) with the remaining balance covered by collateralization held by the bank in the Authority's name as required by HUD. The custodial credit risk for the Authority deposit is Category 1.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less then 2 years.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority practice to do business with more then one depository.

The carrying amount of the Authority's investment was $370,916 at December 31, 2006 with the same corresponding bank balance. The investments are held in certificate of deposits, money market accounts and high yield savings accounts.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2006 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 4: CAPITAL ASSETS

	Balance 12/31/05	**Adjust.**	**Additions**	**Deletion**	**Balance 12/31/06**
Capital Assets Not Depreciated:					
Land	$987,619	$0	$0	$0	$987,619
Total Capital Assets Not Being Depreciated	**987,619**	**0**	**0**	**0**	**987,619**
Capital Assets Being Depreciated:					
Buildings	8,230,385	0	132,865	(64,917)	8,298,333
Furnt, Mach. & Equip. - Admin	114,909	0	14,807	(5,786)	123,930
Leasehold Improvement	1,444,529	0	0	0	1,444,529
Total Capital Assets Being Depreciated	9,789,823	0	147,672	(70,703)	9,866,792
Accumulated Depreciation:					
Buildings	(3,572,291)	0	(198,325)	49,128	(3,721,488)
Furnt, Mach. & Equip. - Admin	(97,053)	0	(4,396)	0	(101,449)
Leasehold Improvement	(1,749,052)	0	(163,541)	0	(1,912,593)
Total Accumulated Depreciation	(5,418,396)	0	(366,262)	49,128	(5,735,530)
Total Capital Assets Being Depreciated, Net	**4,371,427**	**0**	**(218,590)**	**(21,575)**	**4,131,262**
Total Capital Assets, Net	**$5,359,046**	**$0**	**($218,590)**	**($21,575)**	**$5,118,881**

NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Direct 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-Direct 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 pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits 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.

Plan members are required to contribute 9.0 percent of their annual covered salary to fund pension obligations. The 2006 employer pension contribution rate for Authority was 13.7 percent. Contributions are authorized by state statue. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2006, 2005, and 2004 amounted to $68,398, $62,046 and $54,606 respectively. Ninety-three percent has been contributed for 2006. All required contributions for the two previous years have been paid.

NOTE 5: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2006 was 4.0 percent of covered payroll, which amounted to $19,970. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2005 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project 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).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,214. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2006 was $11.1 billion. 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.

NOTE 5: <u>POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM</u> (Continued)

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006 and in 2007 will allow additional funds to be allocated to the health care plan.

NOTE 6: <u>SCHEDULE OF EXPENDITURE OF FEDERAL AWARD</u>

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 7: <u>LONG-TERM DEBT</u>

Mortgage Payable

Hocking Metropolitan Housing Authority has several outstanding mortgages as of December 31, 2006. These loans were obtained to purchase of property by the Board Funds.

	ORIGINAL LOAN BALANCE	INTEREST RATE	LIFE OF LOAN	12/31/06 BALANCE
BANK ONE:				
O'Neal Loan	$140,000	2.7625%	15 years	$111,159
Pine Ridge Loan	$900,000	6.8600%	20 years	900,000
Loan Obligation 91	$61,000	6.1800%	5 years	0
NATIONA CITY BANK:				
Orchard Street Property	$40,000	7.74%	20 years	39,717
4th Street Property	$40,000	7.74%	20 years	39,717
FEDERAL HOME LOAN BANK:				
Pine Ridge	$288,000	0.00%	15 years	288,000
City of Logan	$55,000	0.0000%	15 years	32,694
Total Outstanding Mortgages				1,411,287
Less: Current Portion				55,074
Total Non-Current Mortgage Payable				$1,356,213

NOTE 7: LONG-TERM DEBT (Continued)

Capital Lease

In May 2005 the Authority entered into a capital lease agreement for the acquisition of Satellite TV System. The purchase price was $12,800 with monthly payment of $305.15. The lease expires on May 2010.

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

DESCRIPTION	BALANCE 12/31/05	ISSUED	RETIRED	BALANCE 12/31/06
Mortgage Loan Payable	$243,625	$1,268,000	$100,338	$1,411,287
Capital Lease	11,595	0	2,049	9,546
TOTAL	$255,220	$1,268,000	$102,387	$1,420,833

Maturities of the debt over the next five years are as follows:

	Mortgage Payable		Capital Lease		
Years	Principal	Interest	Principal	Interest	Total
2007	$55,074	$70,453	$2,381	$1,281	$131,196
2008	57,029	68,497	2,766	896	131,196
2009	59,071	66,454	3,214	448	131,196
2010	61,245	64,282	1,185	38	128,760
2011	63,563	61,963	0	0	127,537
2012-2016	354,337	269,322	0	0	623,659
2017-2021	381,989	185,512	0	0	567,501
2022-2026	378,979	74,686	0	0	453,665
Total	$1,411,287	$861,169	$9,546	$2,663	$2,294,710

NOTE 8: RELATED PARTY TRANSACTION

The Authority as entered into a contract with the Hocking County Department of Job and Family Services (JFS) for the operation of the Help Me Grow Program. The program is funded by the County JFS from its TANF, Medicaid Part C and State of Ohio General Revenue Funds. The program is a social service program targeted to coordinate services for families with at risk children under the age of 3. Hocking Metropolitan Housing Authority Executive Director is married to the Assistant Director of the Hocking County Department of Job and Family Service. The total revenue earned for the fiscal year was $267,146.

Hocking Metropolitan Housing Authority FDS Schedule Submitted To REAC Proprietary Fund Type – Enterprise Fund December 31, 2006										
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
111	Cash - Unrestricted	$37,789	$0	$14,938	$7,992	$0	$22,745	$0	$0	$83,464
115	Cash - Restricted for Payment of Current Liabilities	$0	$0	$0	$16,660	$0	$0	$0	$0	$16,660
114	Cash - Tenant Security Deposits	$2,737	$0	$23,257	$0	$0	$0	$0	$0	$25,994
100	Total Cash	$40,526	$0	$38,195	$24,652	$0	$22,745	$0	$0	$126,118
122	Accounts Receivable - HUD Other Projects	$0	$0	$0	$0	$27,461	$0	$0	$0	$27,461
124	Accounts Receivable - Other Government	$0	$0	$0	$0	$0	$54,057	$0	$0	$54,057
125	Accounts Receivable - Miscellaneous	$43,861	$0	$2,953	$0	$0	$342	$0	$0	$47,156
126	Accounts Receivable - Tenants - Dwelling Rents	$1	$0	$5,351	$0	$0	$0	$0	$0	$5,352
126.1	Allowance for Doubtful Accounts - Dwelling Rents	$0	$0	($739)	$0	$0	$0	$0	$0	($739)
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0
120	Total Receivables, net of allowances for doubtful accounts	$43,862	$0	$7,565	$0	$27,461	$54,399	$0	$0	$133,287
131	Investments - Unrestricted	$0	$0	$283,243	$27,673	$0	$60,000	$0	$0	$370,916
142	Prepaid Expenses and Other Assets	$2,724	$0	$26,906	$0	$0	$0	$0	$0	$29,630
143	Inventories	$0	$0	$4,990	$50	$0	$0	$0	$0	$5,040
143.1	Allowance for Obsolete Inventories	$0	$0	($150)	($5)	$0	$0	$0	$0	($155)
144	Interprogram Due From	$2,455	$0	$146,083	$0	$32,978	$0	$0	$0	$181,516
150	Total Current Assets	$89,567	$0	$506,832	$52,370	$60,439	$137,144	$0	$0	$846,352

Hocking Metropolitan Housing Authority FDS Schedule Submitted To REAC Proprietary Fund Type – Enterprise Fund December 31, 2006											
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
161	Land	$14,100	$0	$973,519	$0	$0	$0	$0	$0	$987,619
162	Buildings	$347,931	$0	$7,815,552	$0	$134,850	$0	$0	$0	$8,298,333
163	Furniture, Equipment & Machinery - Dwellings	$6,618	$0	$34,968	$0	$0	$0	$0	$0	$41,586
164	Furniture, Equipment & Machinery - Administration	$0	$0	$61,274	$12,049	$9,021	$0	$0	$0	$82,344
165	Leasehold Improvements	$0	$0	$1,444,529	$0	$0	$0	$0	$0	$1,444,529
166	Accumulated Depreciation	($104,300)	$0	($5,613,866)	($12,049)	($5,315)	$0	$0	$0	($5,735,530)
160	Total Fixed Assets, Net of Accumulated Depreciation	$264,349	$0	$4,715,976	$0	$138,556	$0	$0	$0	$5,118,881
171	Notes, Loans, & Mortgages Receivable - Non Current	$0	$0	$1,188,000	$0	$100,000	$0	$0	$0	$1,288,000
180	Total Non-Current Assets	$264,349	$0	$5,903,976	$0	$238,556	$0	$0	$0	$6,406,881
190	Total Assets	$353,916	$0	$6,410,808	$52,370	$298,995	$137,144	$0	$0	$7,253,233
312	Accounts Payable <= 90 Days	$1,267	$0	$11,814	$291	$60,439	$2,949	$0	$0	$76,760
321	Accrued Wage/Payroll Taxes Payable	$0	$0	$9,138	$0	$0	$4,466	$0	$0	$13,604
322	Accrued Compensated Absences - Current Portion	$1,384	$0	$12,000	$5,066	$0	$5,543	$0	$0	$23,993
333	Accounts Payable - Other Government	$0	$0	$19,658	$0	$0	$0	$0	$0	$19,658
341	Tenant Security Deposits	$2,737	$0	$23,488	$0	$0	$0	$0	$0	$26,225
342	Deferred Revenues	$2,724	$0	$0	$0	$0	$107,270	$0	$0	$109,994
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$13,867	$0	$43,588	$0	$0	$0	$0	$0	$57,455

Hocking Metropolitan Housing Authority FDS Schedule Submitted To REAC Proprietary Fund Type – Enterprise Fund December 31, 2006										
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
347	Interprogram Due To	$25,062	$0	$131,528	$13,220	$0	$11,706	$0	$0	$181,516
310	Total Current Liabilities	$47,041	$0	$251,214	$18,577	$60,439	$131,934	$0	$0	$509,205
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$209,421	$0	$1,153,957	$0	$0	$0	$0	$0	$1,363,378
354	Accrued Compensated Absences - Non Current	$598	$0	$7,599	$4,458	$0	$612	$0	$0	$13,267
355	Loan Liability - Non Current	$0	$0	$0	$0	$0	$0	$0	$0	$0
353	Noncurrent Liabilities - Other	$0	$0	$0	$2,329	$0	$0	$0	$0	$2,329
350	Total Noncurrent Liabilities	$210,019	$0	$1,161,556	$6,787	$0	$612	$0	$0	$1,378,974
300	Total Liabilities	$257,060	$0	$1,412,770	$25,364	$60,439	$132,546	$0	$0	$1,888,179
508.1	Invested in Capital Assets, Net of Related Debt	$41,061	$0	$3,518,431	$0	$138,556	$0	$0	$0	$3,698,048
512.1	Unrestricted Net Assets	$55,795	$0	$1,479,607	$27,006	$100,000	$4,598	$0	$0	$1,667,006
513	Total Equity/Net Assets	$96,856	$0	$4,998,038	$27,006	$238,556	$4,598	$0	$0	$5,365,054
600	Total Liabilities and Equity/Net Assets	$353,916	$0	$6,410,808	$52,370	$298,995	$137,144	$0	$0	$7,253,233
703	Net Tenant Rental Revenue	$70,158	$0	$297,476	$0	$0	$0	$0	$0	$367,634
704	Tenant Revenue - Other	$268	$0	$10,611	$0	$0	$0	$0	$0	$10,879
705	Total Tenant Revenue	$70,426	$0	$308,087	$0	$0	$0	$0	$0	$378,513
706	HUD PHA Operating Grants	$0	$2,517	$284,834	$1,071,914	$177,926	$0	$0	$0	$1,537,191
706.1	Capital Grants	$0	$0	$0	$0	$243,871	$0	$0	$0	$243,871

Hocking Metropolitan Housing Authority FDS Schedule Submitted To REAC Proprietary Fund Type – Enterprise Fund December 31, 2006										
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
708	Other Government Grants	$65,138	$0	$0	$0	$0	$18,699	$53,430	$195,017	$332,284
711	Investment Income - Unrestricted	$348	$0	$18,612	$1,253	$0	$0	$0	$0	$20,213
715	Other Revenue	$5,150	$0	$19,807	$336	$0	$3,071	$0	$0	$28,364
716	Gain/Loss on Sale of Fixed Assets	$0	$0	($21,575)	$0	$0	$0	$0	$0	($21,575)
720	Investment Income - Restricted	$0	$0	$0	$0	$0	$2,357	$0	$0	$2,357
700	Total Revenue	$141,062	$2,517	$609,765	$1,073,503	$421,797	$24,127	$53,430	$195,017	$2,521,218
911	Administrative Salaries	$48,389	$0	$100,977	$68,748	$11,650	$10,010	$28,600	$104,391	$372,765
912	Auditing Fees	$0	$0	$2,740	$3,260	$0	$0	$0	$0	$6,000
914	Compensated Absences	$620	$0	$8	$1,411	$0	$0	$0	$0	$2,039
915	Employee Benefit Contributions - Administrative	$17,934	$0	$48,688	$29,278	$10,889	$3,781	$10,804	$39,433	$160,807
916	Other Operating - Administrative	$11,562	$590	$47,971	$32,557	$64,647	$7,924	$14,026	$51,193	$230,470
924	Tenant Services - Other	$0	$0	$3,123	$0	$0	$0	$0	$0	$3,123
931	Water	$3,192	$0	$26,850	$0	$0	$0	$0	$0	$30,042
932	Electricity	$4,531	$0	$66,347	$0	$0	$0	$0	$0	$70,878
933	Gas	$6,707	$0	$8,023	$0	$0	$0	$0	$0	$14,730
938	Other Utilities Expense	$0	$0	$1,680	$0	$0	$0	$0	$0	$1,680
941	Ordinary Maintenance and Operations - Labor	$0	$0	$121,047	$0	$0	$0	$0	$0	$121,047
942	Ordinary Maintenance and Operations - Materials and Other	$653	$0	$44,571	$2,074	$17,340	$0	$0	$0	$64,638
943	Ordinary Maintenance and Operations - Contract Costs	$18,551	$0	$87,506	$8,110	$71,686	$0	$0	$0	$185,853
945	Employee Benefit Contributions - Ordinary Maintenance	$0	$0	$36,994	$0	$0	$0	$0	$0	$36,994
961	Insurance Premiums	$1,749	$0	$23,160	$0	$0	$0	$0	$0	$24,909

Hocking Metropolitan Housing Authority FDS Schedule Submitted To REAC Proprietary Fund Type – Enterprise Fund December 31, 2006										
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
963	Payments in Lieu of Taxes	$0	$0	$19,658	$0	$0	$0	$0	$0	$19,658
964	Bad Debt - Tenant Rents	$0	$0	$3,013	$0	$0	$0	$0	$0	$3,013
967	Interest Expense	$6,283	$0	$1,278	$0	$0	$0	$0	$0	$7,561
969	Total Operating Expenses	$120,171	$590	$643,634	$145,438	$176,212	$21,715	$53,430	$195,017	$1,356,207
970	Excess Operating Revenue over Operating Expenses	$20,891	$1,927	($33,869)	$928,065	$245,585	$2,412	$0	$0	$1,165,011
971	Extraordinary Maintenance	$0	$0	$3,000	$0	$0	$0	$0	$0	$3,000
973	Housing Assistance Payments	$0	$1,927	$0	$945,752	$0	$0	$0	$0	$947,679
974	Depreciation Expense	$13,122	$0	$347,825	$0	$5,315	$0	$0	$0	$366,262
900	Total Expenses	$133,293	$2,517	$994,459	$1,091,190	$181,527	$21,715	$53,430	$195,017	$2,673,148
1001	Operating Transfers In	$0	$0	$1,714	$0	$0	$0	$0	$0	$1,714
1002	Operating Transfers Out	$0	$0	$0	$0	($1,714)	$0	$0	$0	($1,714)
1010	Total Other Financing Sources (Uses)	$0	$0	$1,714	$0	($1,714)	$0	$0	$0	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$7,769	$0	($382,980)	($17,687)	$238,556	$2,412	$0	$0	($151,930)
1103	Beginning Equity	$89,087	$0	$5,212,157	$44,693	$168,861	$2,186	$0	$0	$5,516,984
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$0	$168,861	$0	($168,861)	$0	$0	$0	$0
	Ending Equity	$96,856	$0	$4,998,038	$27,006	$238,556	$4,598	$0	$0	$5,365,054

Hocking Metropolitan Housing Authority FDS Schedule Submitted To REAC Proprietary Fund Type – Enterprise Fund December 31, 2006										
Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$0	$0	$0	$0	$0	$0	$0	$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$0	$0	$0	$0	$0	$0	$0	$0	$0
1116	Total Annual Contributions Available	$0	$0	$0	$0	$0	$0	$0	$0	$0
1120	Unit Months Available	180	0	1,956	3,672	0	0	0	0	5,808
1121	Number of Unit Months Leased	180	0	1,922	3,190	0	0	0	0	5,292
1117	Administrative Fee Equity	$0	$0	$0	$25,865	$0	$0	$0	$0	$25,865
1118	Housing Assistance Payments Equity	$0	$0	$0	$1,141	$0	$0	$0	$0	$1,141

Hocking Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended December 31, 2006

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	**CFDA NUMBER**	**EXPENDITURES**
U.S. Department of Housing and Urban Development Direct Program		
Shelter Plus Care	14.238	$2,517
Low Rent Public Housing	14.850	284,834
Housing Choice Vouchers	14.871	1,071,914
Public Housing Capital Fund Program	14.872	421,797
Total U.S. Department of Housing and Urban Development		1,781,062
U.S. Department of Health and Human Services Pass Through Hocking County Department of Job and Family Services		
Temporary Assistance for Needy Families	93.558	195,017
Total U.S. Department of Health and Human Services		195,017
U.S. Department of Education Pass Through Hocking County		
Special Education – Grant for Infants and Families with Disabilities	84.181	53,430
Total U.S. Department of Education		53,430
TOTAL AWARDS		**$2,029,509**

SALVATORE CONSIGLIO, CPA, INC.

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

Board of Directors
Hocking Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the Hocking Metropolitan Housing Authority basic financial statements and have issued my report thereon dated August 17, 2007. 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 of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Hocking Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 misstatements on a timely basis. 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 such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority' internal control.

My consideration of internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hocking Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Salvatore Consiglio, CPA, Inc.

August 17, 2007

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

Board of Directors
Hocking Metropolitan Housing Authority

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, 2006. 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.

In my opinion, 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, 2006.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's 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 misstatements on a timely basis. 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 such that there is more than a remote likelihood that a misstatement of the entity's financial statements 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 a 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 financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.

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

Salvatore Consiglio, CPA, Inc.

August 17, 2007

Hocking Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

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	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.871- Housing Choice Voucher Program and 14.872 Low Rent Public Housing Capital Fund Program
Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: All Others
Low Risk Auditee?	Yes

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

There are no Findings or questioned costs for the year ended December 31, 2006.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no Findings or questioned costs for the year ended December 31, 2006.

Hocking Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2006

The audit report for the fiscal year ending December 31, 2005 contained no audit finding.

Mary Taylor, CPA
Auditor of State

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
NOVEMBER 8, 2007