HANCOCK METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

Board of Commissioners
Hancock Metropolitan Housing Authority
1800 N. Blanchard Street, Suite 114
Findlay, Ohio 45840

We have reviewed the *Independent Auditor's Report* of the Hancock Metropolitan Housing Authority, Hancock County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2008 through December 31, 2008. 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 Hancock Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 17, 2009

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HANCOCK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

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Board of Directors
Hancock Metropolitan Housing Authority
Findlay, Ohio

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the Hancock Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended December 31, 2008, as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hancock Metropolitan Housing Authority, Ohio, as of December 31, 2008, and the respective changes in its net assets and its 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*, we have also issued our report dated June 17, 2009 on our consideration of the Hancock Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

James G. Zupka

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

June 17, 2009

The Hancock 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 (it's ability to address the next and subsequent fiscal 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 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- During 2008, the Authority's net assets increased by $94,320 (or 9.4 percent). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were $1,100,860 and $1,006,540 for fiscal years 2008 and 2007, respectively.

- The revenue increased by $836,225 (or 38 percent) during 2008, and was $3,059,921 and $2,223,696 for 2008 and 2007, respectively.

- The total expenses of the Authority increased by $27,391 (or 0.93 percent) during 2008. Expenses were $2,965,601 and $2,938,210 for 2008 and 2007, respectively.

The primary focus of the Authority's financial statements is on the Authority as a whole. The Authority-wide perspective allows 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 (see pages 9-11) 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 an asset, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-Current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net of all 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 assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, contracts, and grant agreements.

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

The 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 investment income and interest expense.

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

Finally, the Statement of Cash Flows (see page 11) 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. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

THE AUTHORITY'S PROGRAMS

Business Type Funds

The Housing Choice Voucher Program
Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of adjusted household income.

Other Non-Major Programs
In addition to the program above, the Authority also operates the following programs. The Authority received funding from Putman County's HOME program during the fiscal year. State/Local activities represent non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority in engaged only in business-type activities.

Table 1 - Statement of Net Assets

	2008	2007
Current and Other Assets	$ 1,065,753	$ 981,499
Capital Assets	54,056	45,345
Total Assets	1,119,809	1,026,844
Current Liabilities	14,815	15,938
Non-Current Liabilities	4,134	4,366
Total Liabilities	18,949	20,304
Net Assets:		
Invested in Capital Assets, Net of Related Debt	54,056	45,345
Restricted	536,472	389,753
Unrestricted	510,332	571,442
Total Net Assets	$ 1,100,860	$1,006,540

For more detailed information see page 9 for Statement of Net Assets

Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash) increased by $84,254 in fiscal year 2008 and current liabilities decreased by $1,355. The increase in current assets was due primarily to the Authority receiving some of the 2007 HUD Set Aside Funding, which was received in the middle of 2008.

Table 2 - Changes of Unrestrictive Net Assets

Unrestricted Net Assets December 31, 2007		$ 571,442
Results of Operations	$ 94,320	
Adjustments:		
Depreciation (1)	12,550	
Adjusted Results from Operations		106,870
Capital Expenditures		(21,261)
Change in Restricted Net Assets (2)		(146,719)
Unrestricted Net Assets December 31, 2008		$ 510,332

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net assets.

(2) HUD now requires unspent HAP funding for the Housing Choice Voucher Program be classified as Restricted Net Assets.

While the result of operations is 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.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in business-type activities.

Table 3 - Statement of Revenues, Expenses and Changes in Net Assets

	2008	2007
Revenues:		
HUD PHA Operating Grants	$ 3,002,344	$ 2,105,030
Other Revenues	28,076	40,196
Other Government Grants	19,291	20,424
Investment Income	10,210	58,046
Total Revenues	3,059,921	2,223,696
Expenses:		
Administrative	358,561	381,828
Utilities	14,734	12,546
Maintenance	44,417	13,988
General	3,959	18,323
Housing Assistance Payments	2,531,380	2,503,478
Depreciation	12,550	8,047
Total Expenses	2,965,601	2,938,210
Net Increase/(Decrease)	$ 94,320	$ (714,514)

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

HUD PHA Grants increased significantly from the prior fiscal year. As instructed by HUD, the Authority took what measures it could to stabilize rents to decrease average HAP payments to help assist more families in 2008.

Staffing changes during the fiscal year 2008 contributed to the decrease of $23,267 in the Administrative Expense category.

Depreciation increased due to assets additions during the fiscal year 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2008, the Authority had $54,056 invested in capital assets as reflected in the following schedule, which represents a net increase (additions, deductions, and depreciation) from the prior year.

Table 4 - Capital Assets at Year-End (Net of Depreciation)

	Business-Type Activities	
	2008	2007
Equipment - Administrative	$ 91,762	$ 70,501
Accumulated Depreciation	(37,706)	(25,156)
Total	$ 54,056	$ 45,345

The following reconciliation summarizes the change in capital assets.

Table 5 - Change in Capital Assets

Beginning Balance	$ 45,345
Additions	21,261
Dispositions	0
Depreciation	(12,550)
Ending Balance	$ 54,056

The Authority did not have any outstanding debt at December 31, 2008.

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, recession and employment trends, which affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies, and other costs.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Dianne J. Osborn, Executive Director, the Hancock Metropolitan Housing Authority, at 419-424-7848. Specific requests may be submitted to the Authority at Suite 114, The Family Center, 1800 North Blanchard Street, Findlay, Ohio 45840.

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	$ 499,593
Cash and Cash Equivalents - Restricted	536,472
Receivables, Net	25,118
Prepaid Expenses and Other Assets	4,548
Total Current Assets	1,065,731
Non-Current Assets:	
Capital Assets:	
Furniture and Equipment	91,762
Less Accumulated Depreciation	(37,706)
Capital Assets, Net	54,056
Other Non-Current Assets	22
Total Non-Current Assets	54,078
TOTAL ASSETS	$ 1,119,809
Liabilities	
Current Liabilities:	
Accounts Payable	$ 5,085
Accrued Liabilities	9,670
Intergovernmental Payable	60
Total Current Liabilities	14,815
Non-Current Liabilities:	
Accrued Compensated Absences	4,134
Total Non-Current Liabilities	4,134
TOTAL LIABILITIES	18,949
Net Assets	
Invested in Capital Assets, Net of Related Debt	54,056
Restricted Net Assets	536,472
Unrestricted Net Assets	510,332
TOTAL NET ASSETS	$1,100,860

See accompanying notes to the basic financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Operating Revenues	
Government Operating Grants	$ 3,021,635
Other Revenue	28,076
Total Operating Revenues	3,049,711
Operating Expenses	
Administrative	358,561
Utilities	14,734
Maintenance	44,417
General	3,959
Housing Assistance Payment	2,531,380
Total Operating Expenses Before Depreciation	2,953,051
Depreciation	12,550
Total Operating Expenses	2,965,601
Operating Income (Loss)	84,110
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	10,210
Total Non-Operating Revenues (Expenses)	10,210
Net Income (Loss)	94,320
Total Net Assets - Beginning of Year	1,006,540
Net Assets - End of Year	$ 1,100,860

See accompanying notes to the basic financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows from Operating Activities	
Cash Received from HUD	$ 3,021,695
Cash Received from Other Sources	11,594
Cash Payments for Housing Assistance	(2,531,380)
Cash Payments for Operating Expenses	(422,853)
Net Cash Provided (Used) by Operating Activities	79,056
Cash Flows from Investing Activities	
Interest Received	10,210
Net Cash Flows from Investing Activities	10,210
Cash Flows from Capital and Related Financing	
Purchase of Capital Assets	(21,261)
Net Cash Flows from Capital and Related Financing	(21,261)
Net (Decrease) in Cash and Cash Equivalents	68,005
Cash and Cash Equivalents, Beginning	968,060
Cash and Cash Equivalents, Ending	$ 1,036,065
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ 84,110
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	12,550
(Increase) Decrease in:	
Accounts Receivable	(16,482)
Prepaid Expenses	233
Increase (Decrease) in:	
Accounts Payable	149
Intergovernmental Payable	60
Compensated Absence	(232)
Accrued Liabilities	(1,332)
Net Cash Provided by Operating Activities	$ 79,056

See accompanying notes to the basic financial statements.

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

Organization

The Hancock Metropolitan Housing Authority (HMHA) is a political subdivision of the State of Ohio, located in Findlay, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the HMHA and the United States Department of Housing and Urban Development (HUD), to provide low and moderate income persons with safe and sanitary housing through rent subsidies, via the Section 8 Housing Choice Voucher Program. Based on the criteria established by Governmental Accounting Standards Board (GASB) codification 2100, there are no component units to be included with the reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles, as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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. The Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

Machinery, Furnishings, and Equipment

Machinery, furnishings, and equipment are recorded at cost, over the useful life using the straight-line method. Total depreciation expense for the 2008 calendar year was $12,500.

Cash and Cash Equivalents

For purposes of the statement of cash flows and for presentation of the balance sheet, cash and cash equivalents consist principally of checking and savings accounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Prepaid Items
Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Compensated Absences
Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as termination benefits.

The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Financial Statement Format and Content
The format and content of the financial statements included in this report conforms to the format and content submitted to the U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

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

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

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

Change in Accounting Principles

For fiscal year 2008, the City implemented GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50 "*Pension Disclosures*". GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The implementation of GASB Statements No. 49 and No. 50 did not affect the presentation of the financial statements of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits were $1,036,065 and the bank balance was $1,055,781. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2008, $250,000 of the Authority's bank balance was covered by Federal Depository Insurance and deposits totaling $786,065 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds or in the Authority's name.

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

Investments

The Authority has a formal investment policy, however, at December 31, 2008 the Authority had no investments.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Cash and investments at year-end were as follows:

Cash and Investment Type	Fair Value	Investments Maturities (in Years) <1
Carrying Amount of Deposits - Unrestricted	$ 499,593	$ 499,593
Carrying Amount of Deposits - Restricted	536,472	536,472
Totals	$ 1,036,065	$ 1,036,065

Cash Restricted represents the Housing Assistance Payments in excess of the amount used which is also the restricted net asset amount.

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2008 by class is as follows:

	Balance 01/01/08	Additions	Deletions	Balance 12/31/08
Furniture and Equipment	$ 70,501	$ 21,261	$ 0	$ 91,762
Total	70,501	21,261	0	91,762
Accumulated Depreciation - Furniture and Equipment	(25,156)	(12,550)	0	(37,706)
Capital Assets, Net	$ 45,345	$ 8,711	$ 0	$ 54,056

NOTE 4: INSURANCE COVERAGE

The Authority maintains comprehensive insurance coverage with private carriers for general liability, health, and building contents. Limits of coverage provided are as follows:

	Deductible	Limit of Coverage
General Liability	$ 0	$ 2,000,000
Directors and Officers' Liability	1,000	$ 2,000,000
Auto	500/0	ACV/1,000,000
Building Contents	500	$ 30,000
Crime	250	$ 25,000

There were no significant changes in commercial coverage in 2008. Settled claims have not exceeded insurance coverage during the past 3 years.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans (TP,MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. A portion of the Authority's contributions is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7 percent of the annual covered salary was the portion used to fund pension obligations. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. The Authority's required contributions to OPERS for the years ended December 31, 2008, 2007, and 2006, were $34,897, $34,339, and $25,883, respectively. Of those amounts were Member-Directed contributions made by the Authority in the amount of $3,618, $1,259 and $1,063 for the years ended December 31, 2008, 2007 and 2006 respectively. The full amount has been contributed for 2008, 2007, and 2006.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 employer rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00
percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 7.00 percent of covered payroll for the period. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

NOTE 6: **DEFINED BENEFIT PENSION** (Continued)

Ohio Public Employees Retirement System (Continued)

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 annually, not to exceed a 12 percent corridor.

As of December 31, 2008, the number of active contributing participants in the Traditional Pension and Combined plans totaled 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. Actual Authority contributions for 2008 which were used to fund post-employment benefits were $17,449. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2007 (the latest information available) was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.8 billion and $17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 7: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All employees earn .0575 hours of sick leave for every hour of service, subject to a maximum of 15 days of sick leave per year. Unused sick leave may accumulate without limit. An employee with at least 10 years of service to the Authority who dies or retires under the provisions of OPERS and who was hired by the Authority prior to March 10, 1994, shall be paid for two-thirds (2/3) of accumulated sick leave to their credit, not to exceed 120 days, as of the date of their separation or death. Those employees hired on or after March 10, 1994, shall be paid for one-fourth (1/4) of accumulated sick leave to their credit, not to exceed 30 days, as of the date of their separation. All full-time and permanent part-time employees earn vacation leave based on length of service. Vacation leave earned as of the employee's anniversary date must be used within 12 months of that date, subject to exceptions outlined in the policy.

At December 31, 2008, based on the vesting method, $4,366 was accrued by the Authority for unused vacation and sick leave. All unused leave is considered non-current.

Balance 01/01/08	Additions	Deletions	Balance 12/31/08
$ 4,366	$ 9,120	$ (9,352)	$ 4,134

NOTE 8: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material operating lease commitments or material capital or construction commitments at December 31, 2008.

NOTE 9: **LITIGATION**

The Authority is party to various legal proceedings. In the opinion of the Authority, the ultimate disposition of these proceedings will not have a material effect on the Authority's financial position. No provision has been made to the financial statements for the effect, if any, of such contingencies.

NOTE 10: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hancock Metropolitan Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs:			
Supportive Housing for Persons with Disabilities	14.181		$ 310,250
Housing Assistance Payments			
Section 8 - Housing Choice Voucher Program	14.871	OH082VO C-5520-V	2,692,094
Total U.S. Department of Housing and Urban Development - Direct Programs			3,002,344
Passed Through Putnam County			
HOME Program - Putnam County	14.239		19,291
Total Passed Through Programs			19,291
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 3,021,635

This schedule is prepared on the accrual basis of accounting.

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

Member American Institute of Certified Public Accountant (216) 475 - 6136 Ohio Society of Certified Public Accountants

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*

To the Board of Directors
Hancock Metropolitan Housing Authority
Findlay, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the Hancock Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain additional matters that we reported to the management of the Hancock Metropolitan Housing Authority in separate letter dated June 17, 2009.

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

James G. Zupka

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

June 17, 2009

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
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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	Regional Inspector General of Audit
Hancock Metropolitan Housing Authority	Department of Housing and Urban
Findlay, Ohio	Development

Compliance

We have audited the compliance of the Hancock Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2008. The Authority's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major Federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2008.

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

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

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

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

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

James G. Zupka

James G. Zupka CPA, Inc.
Certified Public Accountants

June 17, 2009

HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2008(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Section 8 Housing Choice Vouchers - CFDA #14.871	
2008(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: >all others
2008(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

The audit report for the prior year ended December 31, 2007 contained no findings or citations other than management letter comments.

HANCOCK METROPOLITAN HOUSING AUTHORITY

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 30, 2009