

HANCOCK METROPOLITAN HOUSING AUTHORITY

Report on Financial Statements
and Supplemental Data

Period Ended December 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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The Board of Trustees
Hancock Metropolitan Housing Authority
604 Lima Avenue
Findlay, OH 45840

We have reviewed the independent auditor's report of the Hancock Metropolitan Housing Authority, Hancock County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2000 through December 31, 2000. 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.

JIM PETRO
Auditor of State

June 29, 2001

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HANCOCK METROPOLITAN HOUSING AUTHORITY

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Independent Auditor's Report

The Board of Trustees
Hancock Metropolitan Housing Authority
604 Lima Avenue
Findlay, Ohio 45840

Regional Inspector
General for Audit
Department of Housing
and Urban Development
Chicago, Illinois

I have audited the balance sheet of the Hancock Metropolitan Housing Authority, as of and for the year ended December 31, 2000, and the related statements of income and changes in equity and cash flows. These financial statements are the responsibility of the Hancock Metropolitan Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 financial position of Hancock Metropolitan Housing Authority as of December 31, 2000 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated May 28, 2001, on my consideration of the Hancock Metropolitan Housing Authority's internal control structure and a report dated May 28, 2001 on its compliance with laws and regulations.

Kevin L. Penn, Inc.

May 28, 2001

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

Balance Sheet
December 31, 2000

ASSETS

Current Assets	
Cash in Bank	\$59,143
Accounts Receivable - HUD	41,952
Accounts Receivable	2,160
Deferred Charges	597

Total Current Assets	103,852
Restricted Deposits	
Family Self Sufficiency	15,774
Fixed Assets	
Machinery and Equipment	13,568
Less: Accumulated Depreciation	(7,176)

Total Fixed Assets	6,392
Other Assets	
Workers' Compensation Deposit	22

Total Assets	\$126,040
	=====

LIABILITIES AND EQUITY

Current Liabilities	
Accounts Payable - Vendor	\$2,400
Accrued Expenses	2,517
Deferred Revenue	25,000

Total Current Liabilities	29,917
Family Self Sufficiency Deposits	30,190
Compensated Absences Payable	19,861

Total Liabilities	79,968
Equity	
Undesignated	46,072

Total Equity	46,072

Total Liabilities and Equity	\$126,040
	=====

The accompanying notes are an integral part of these financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

Statement of Income and Changes in Equity
Year Ended December 31, 2000

REVENUES

Department of HUD - Section 8	\$211,202
City of Findlay	25,000
Hancock County	25,000
Rental Income	7,106
Interest Income	370
Other Revenue	32,773

Total Revenue	301,451

GENERAL AND ADMINISTRATIVE EXPENSES

Administrative Salaries	56,958
Employee Benefits	10,638
Management Fees	2,160
Professional Fees	4,500
Utility Expense	302
Telephone Expense	1,058
Repairs and Maintenance	5,492
Insurance Expense	1,721
Advertising	90
Office Supplies	5,390
Travel Expense	202
Miscellaneous Expense	4,177

Total General and Administrative Expenses	92,688

OTHER EXPENSES

Housing Assistance Payments	181,669
Depreciation Expense	2,066

Total Other Expenses	183,735

Total Expenses	276,423

EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER (UNDER) EXPENSES	25,028

Beginning Equity - January 1, as previously reported	42,813
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Prior Period Adjustment - Note 4	(21,769)

Beginning Equity - January 1, as restated	21,044

Ending Equity - December 31	\$46,072
	=====

The accompanying notes are an integral part of these financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
 FINDLAY, OHIO

Statement of Cash Flows

Year Ended December 31, 2000

Cash Flows from Operating Activities:	
Excess (Deficiency) of Operating Revenue	
Over (Under) Expenses	\$25,028
Adjustments to reconcile excess of revenues	
over(under) expenses to net cash provided	
by operating activities:	
Depreciation Expenses	2,066
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts Receivable	(30,730)
Prepaid Expenses	(3)
Restricted Deposits	(8,628)
Increase (decrease) in liabilities:	
Accounts Payable	(1,301)
Accrued Expenses	722
Deferred Revenue	9,981
Deposits	11,269
Accrued Compensated Absences	2,198

Net cash provided (used) by operating activities	10,602
Cash flows from investing activities:	
Purchase of equipment	(1,377)

Net cash provided (used) in investing activities	(1,377)
Cash flows from financing activities:	
Net cash provided (used) in financing activities	0

Net Increase in Cash and Cash Equivalents	9,225
Cash and Cash Equivalents at January 1, 2000	49,918

Cash and Cash Equivalents at December 31, 2000	\$59,143
	=====
Supplemental Information:	
Interest paid in 2000	\$0
Taxes paid in 2000	\$0

The accompanying notes are an integral part of these financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - Summary of Significant Accounting Policies:

A. 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. The HMHA contracts with the United States Department of Housing and Urban Development (HUD) is to provide low and moderate income persons with safe and sanitary housing through rent subsidies, via the Section 8 and Voucher Program. Based on the criteria established by GASB codification 2100, there are no component units to be included with the reporting entity.

B. Basis of Accounting

The financial statements of HMHA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Agency also applies Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

C. Machinery, Furnishings, and Equipment

Machinery, furnishings, and equipment is recorded at cost, over its useful life using the straight-line method. Total depreciation expense for the 2000 calendar year was \$2,066.00.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - Summary of Significant Accounting Policies: (continued)

D. Deposits

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Agency's treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Protection of the Agency's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Monies held by the Agency which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - Summary of Significant Accounting Policies: (continued)

D. Deposits (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Agency;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Agency lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Agency's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Agency's total average portfolio.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - Summary of Significant Accounting Policies: (continued)

D. Deposits (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purchase of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Agency, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand. The Agency had \$100 in undeposited cash on hand which is included on the balance sheet of the Agency as part of "Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits. At year-end, the carrying amount of the Agency's deposits was \$59,043 and the bank balance was \$65,100. Of the bank balance, \$65,100 was insured or collateralized with securities held by the Agency or by its agent in the Agency's name.

Restricted cash was held in a savings account for Family Self Sufficiency, in the amount of \$15,774. Of the bank balance, \$15,774 was insured or collateralized with securities held by the Agency or by its agent in the Agency's name.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1 - Summary of Significant Accounting Policies: (continued)

E. 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid item 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.

G. 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.

I. 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.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 2 - Risk Management

A. Property and Liability

The Agency is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the Agency contracted with Spencer Patterson Insurance for liability, property and crime insurance. The insurance program has a \$250 deductible. Coverages provided are as follows:

General Liability	\$2,000,000
Employee Benefit Liability	1,000,000
Public Official Error s and Omissions Liability	1,000,000
Automobile Liability	1,000,000

With the exceptions of health insurance, life insurance, and workers' compensation, all insurance is held with Spencer Patterson Insurance. The Agency pays all directors and officers bonds by statute. There were no significant changes in commercial coverage in 2000. Settled claims have not exceeded this commercial coverage in the past three years.

NOTE 3 - Defined Benefit Pension Plans

Public Employees Retirement System

All Agency full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code.

PERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 3 - Defined Benefit Pension Plans (continued)

Public Employees Retirement System

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Agency is required to contribute 9.35 percent. For law enforcement employees, the employee contribution is 9 percent and the employer contribution is 12.5 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially.

The Agency's contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$5,813, \$5,157, and \$3,658 respectively, equal to the required contributions for each year. The full amount has been contributed for 1999 and 1998.

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service and to primary survivor recipients of such retirees.

Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPENB as described in GASB Statement No. 12.) A portion of each employer's contribution to PERS is set aside for funding of postretirement health care based on authority granted by State statute.

The 2000 employer contribution rate was 10.65 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion that was used to fund health care for the year 2000.

OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 3 - Defined Benefit Pension Plans (continued)

Public Employees Retirement System

As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 401,339. Employer contributions applied to member covered payroll, are used to fund health care expenses

NOTE 4 – Prior Period Adjustments

The beginning fund balance of HMHA as been restated as follows:

1. Overstatement of accounts receivable	\$(4,106)
2. Understatement of accrued compensated absences	<u>(17,663)</u>
Total	\$(21,769) =====



Kevin L.
Penn, Inc.

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Fax: (216) 283-5724

**Independent Auditor's Report on Compliance and on Internal Control over
Financial Reporting based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

The Board of Trustees
Hancock Metropolitan Housing Authority
604 Lima Avenue
Findlay, Ohio 45840

Regional Inspector
General for Audit
Department of Housing
and Urban Development
Chicago, Illinois

I have audited the financial statements of Hancock Metropolitan Housing Authority as of and for the year ended December 31, 2000, and have issued my report thereon dated May 28, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hancock Metropolitan Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Hancock Metropolitan Housing Authority in a separate letter dated May 28, 2001.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Hancock Metropolitan Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Hancock Metropolitan Housing Authority in a separate letter dated May 28, 2001.

This report is intended solely for the information of the board of trustees, management, the Auditor of the State of Ohio, and applicable federal awarding agencies, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

May 28, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 19, 2001**