

HANCOCK METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

December 31, 2003

Together with Auditors' Report



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of Hancock Metropolitan Housing Authority, Hancock County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2003 through December 31, 2003. 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. Hancock Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 30, 2004

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**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

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Independent Auditor's Report

Board of Trustees
Hancock Metropolitan Housing Authority
Findlay, Ohio

I have audited the accompanying balance sheet of Hancock Metropolitan Housing Authority as of December 31, 2003, and the related statements of revenues, expenses, equity and cash flows for the year then ended. These financial statements are the responsibility of the organization's 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; 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 in the above present fairly, in all material respects, the financial position of Hancock Metropolitan Housing Authority as of December 31, 2003 and the results of its operations 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 my report dated June 3, 2004 on my consideration of Hancock Metropolitan Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Hancock Metropolitan. 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 Governments, and Non-Profit Organizations. In addition, the financial data schedule, pages 14 to 16 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Hancock Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

June 3, 2004

HANCOCK METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
DECEMBER 31, 2003

ASSETS	
Current Assets	
Cash and Cash Equivalents (Note 1)	\$ 460,387
Accounts Receivable – HUD	365
Accounts Receivable – HOME	26,842
Prepaid Expenses	975
Total Current Assets	<u>488,569</u>
Restricted Deposits	
Family Self Sufficiency	59,856
Independent Living	4,857
Total Restricted Deposits	<u>64,713</u>
Fixed Assets	
Machinery and Equipment	14,554
Less: Accumulated Depreciation	<u>(9,793)</u>
Total Fixed Assets	4,761
Other Assets	
Worker's Compensation Deposit	<u>22</u>
TOTAL ASSETS	<u><u>\$ 558,065</u></u>
LIABILITIES AND EQUITY	
Current Liabilities	
Accounts Payable	\$ 16,318
Accounts Payable – HUD	208,685
Accounts Payable – HOME	5,174
Amount Due to HCCIL (Note 2)	4,857
Accrued Expenses	16,932
Total Current Liabilities	<u>251,966</u>
Other Liabilities	
Accrued Compensated Absences	27,410
Family Self Sufficiency Deposits	45,499
Total Other Liabilities	<u>72,909</u>
Total Liabilities	324,875
Equity	
Retained Earnings	<u>233,190</u>
Total Equity	<u>233,190</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 558,065</u></u>

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

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenue:

Department of HUD - Section 8	\$ 2,130,231
Department of Development - HOME	58,076
Hancock County	25,000
Interest Income	1,685
Other Revenue	4,351
Total Revenue	2,219,343

General and Administrative Expenses:

Administrative Salaries	188,760
Employee Benefits	57,602
Professional Fees	17,795
Telephone Expense	2,955
Repairs and Maintenance	3,089
Insurance Expense	2,306
Advertising	418
Office Supplies	22,756
Bad Debt Expense	862
Travel Expense	2,687
Miscellaneous Expense	5,577
Total General and Administrative Expenses	304,807

Other Expenses:

Housing Assistance Payments	1,832,620
Home Security Deposit Used	22,222
Total Other Expenses	1,854,842
Total Expenses	2,159,649

Income(Loss) before Depreciation Expense	59,694
Depreciation Expense	2,899
Net Income(Loss)	56,795

Retained Earnings - Beginning of Year As Previously Reported	161,509
Prior Period Adjustment - Note 4	14,886
Retained Earnings - Beginning of Year As Restated	176,395
Total Equity - End of Year	\$ 233,190

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

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

Cash Flows from Operating Activities:

Net Income(Loss)	\$ 56,795
Adjustments to reconcile net income(loss) to net cash provided (used) by operating activities:	
Depreciation	2,899
(Increase) decrease in:	
Accounts Receivable	13,793
Restricted Deposits	(5,661)
Prepaid Expenses	(378)
Increase (decrease) in:	
Accounts Payable	(39,669)
Accrued expenses	10,819
Deposits	7,992
Compensated Absences	5,320
Net Cash Provided (Used) by Operating Activities	51,910

Cash Flows From Investing Activities:

Acquisition of machinery and equipment	(697)
Net Cash Provided (Used) by Investing Activities	(697)

Cash Flows From Financing Activities:

Net Cash Provided (Used) by Financing Activities	0
Net Cash (Decrease) in Cash and Cash Equivalents	51,213
Cash and Cash Equivalents - Beginning of Year	409,174
Cash and Cash Equivalents - End of Year	\$ 460,387

Supplemental Schedule of Other Cash Activity:

Interest paid	\$ -
Income taxes	\$ -

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

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, 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 and 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.

B. Basis of Accounting

The financial statements of 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. 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 the useful life using the straight-line method. Total depreciation expense for the 2003 calendar year was \$2,899.

D. Accounting and Reporting for Nonexchange Transactions

The Agency adopted GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient for Certain Shared Nonexchange Revenues", effective for the year ended December 31, 2001.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

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

E. 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.

F. 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

H. 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 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. 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 U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 2 – Deposits :

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

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

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

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 no 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;
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 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;

**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 2 – DEPOSITS (continued)

6. No-loan 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.

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 Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits. At year-end, the carrying amount of the Agency's deposits was \$524,900 and the bank balance was \$552,665. Of the bank balance, \$452,665 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 and Hancock County Corporation of Independent Living in the amounts of \$59,856 and \$4,857 respectively. Of the bank balance, \$59,856 and \$4,857 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, 2003**

NOTE 2 –Deposits and Investments: (continued)

Investments. The Agency’s investments are categorized to give an indication of the level of risk assumed by the Agency at year end. Category 1, includes investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency’s name. Category 2, includes uninsured deposits unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Agency’s name. Category 3, includes uninsured and unregistered investments for which the securities are held by the counterparty’s or by its trust department or agent, but not in the Agency’s name. Mutual funds are an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 0	\$ 0	\$ 0
Mutual Funds	0	0	0
Commercial Paper	0	0	0
 Total	\$ 0	\$ 0	\$ 0

The classification of cash and cash equivalents on the financial statements is based on criterial set forth in GASB Statement No.9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”. Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the Agency’s cash management pool.

A reconciliation between the classifications of cash and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements’ is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 524,900	\$ 0
Cash on Hand	100	0
Investments of the Cash Management Pool:		
Repurchase Agreements	0	0
Mutual Funds	0	0
Commercial Paper	0	0
 GASB Statement 3	\$ <u>525,000</u>	\$ <u>0</u>

**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

Note 3 – Risk Management:

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 2003, the Agency contracted with Spencer Patterson Insurance for liability, property and crime insurance. The insurance program has a \$250 deductible. Coverage provided are as follows:

General Liability	\$ 2,000,000
Employee Benefit Liability	1,000,000
Public Official Errors and Omission 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 2003. Settled claims have not exceeded this commercial coverage in the past three years.

NOTE 4 – Retirement and Other Benefit Plans:

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer deferred benefit pension plan. PERS provides retirement and disability benefits annual cost-of-living adjustments, death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. The report may be obtained by writing PERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 466-2085.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 4 – Retirement and Other Benefit Plans: (continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. Covered employees are required by the System's Retirement Board to contribute 8.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 2003. The Authority's total payroll for covered employees was \$173,439. The Authority's 2003 total contribution was \$23,501.

The contribution requirement to fund the pension obligation for the year ended December 31, 2003, 2002 and 2001 were \$23,501, \$18,799 and \$14,903 from the Authority.

PERS of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely.

The pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. PERS issues a stand-alone financial report.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 5– Prior Period Adjustment:

Beginning retained earnings balance has been restated in the amount of \$14,886 as a result of the following:

1. Overstatement of accrued compensated absences, in the amount of \$14,530.
2. Overstatement of accounts payable, in the amount of \$386.

NOTE 6 – 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 accrued 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
Balance Sheet
December 31, 2003

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	<u>Account Description</u>	
	ASSETS	
111	Cash - Unrestricted	\$460,387
113	Cash - Other Restricted	<u>64,713</u>
100	TOTAL CASH	525,100
125	Accounts Receivable - Miscellaneous	<u>27,207</u>
120	TOTAL ACCOUNTS RECEIVABLE	27,207
142	Prepaid Expenses	<u>975</u>
150	TOTAL CURRENT ASSETS	553,282
164	Furniture, Equipment & Machinery - Administration	14,554
166	Accumulated Depreciation	<u>(9,793)</u>
160	TOTAL FIXED ASSETS, NET	4,761
174	Other Assets	<u>22</u>
190	TOTAL ASSETS	<u><u>\$ 558,065</u></u>
	LIABILITIES	
312	Accounts Payable	\$ 26,349
321	Accrued Wage/Payroll Taxes Payable	16,932
331	Accounts Payable - HUD PHA Programs	<u>208,685</u>
310	TOTAL CURRENT LIABILITIES	251,966
354	Accrued Compensated Absences - Non Current	27,410
353	Non-current Liabilities - Other	<u>45,499</u>
	TOTAL NON-CURRENT LIABILITIES	<u>72,909</u>
	TOTAL LIABILITIES	324,875
512	Retained Earnings	<u>233,190</u>
	TOTAL EQUITY/NET ASSETS	<u>233,190</u>
	TOTAL LIABILITIES AND EQUITY/NET ASSETS	<u><u>\$ 558,065</u></u>

HANCOCK METROPOLITAN HOUSING AUTHORITY
Statement of Revenue, Expenses and Changes in Equity
For the Year Ended December 31, 2003

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	<u>Account Description</u>	<u>Section 8</u>	<u>Home</u>	<u>Total</u>
	Revenue:			
706	HUD PHA Operating Grant	\$2,130,231	\$ 58,076	\$2,188,307
708	Other Government Grants	25,000	-	25,000
711	Investment Income - Unrestricted	1,685	0	1,685
715	Other Revenues	<u>4,351</u>	<u>0</u>	<u>4,351</u>
700	Total Revenue	2,161,267	58,076	2,219,343
	Expenses:			
911	Administrative Salaries	185,794	2,966	188,760
912	Audit Fees	9,600	-	9,600
915	Employee Benefit Contributions - Administrative	57,060	542	57,602
916	Other Operating - Administrative	42,589	861	43,450
942	Ordinary Maintenance and Operations - Material & Other	3,089	-	3,089
961	Insurance Premiums	<u>2,306</u>	<u>-</u>	<u>2,306</u>
969	Total Operating Expenses	<u>300,438</u>	<u>4,369</u>	<u>304,807</u>
970	Excess Operating Revenue over Expenses	1,860,829	53,707	1,914,536
	Other Expenses			
973	Housing Assistance Payments	1,801,135	53,707	1,854,842
974	Depreciation Expense	<u>2,899</u>	<u>-</u>	<u>2,899</u>
900	Total Expenses	<u>2,104,472</u>	<u>58,076</u>	<u>2,162,548</u>
1000	Excess of Operating Revenue Over Expenses	56,795	-	56,795
1103	Beginning Equity	161,509	-	161,509
1104	Prior Period Adjustments	<u>14,886</u>	<u>-</u>	<u>14,886</u>
	Ending Equity	<u>\$ 233,190</u>	<u>\$ -</u>	<u>\$ 233,190</u>

HANCOCK METROPOLITAN HOUSING AUTHORITY
Additional Information Required by HUD
Year Ended December 31, 2003

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line Item No.</u>	<u>Account Description</u>	
1113	Maximum Annual Contributions Commitment (Per ACC)	\$1,370,939
1114	Applicable to a Period of Less Than Twelve Months	\$1,519,722
1115	Contingency Reserve, ACC Program Reserve	\$762,121
1116	Total Annual Contributions Available	\$3,652,782
1120	Unit Months Available	7,986
1121	Number of Unit Months Leased	6,349

HANCOCK METROPOLITAN HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2003

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Housing Assistance Payments:			
Section 8 - Housing Choice Voucher Program	14.871	OH082VO C-5520-V	\$2,111,400
Total U.S. Department of Housing and Urban Development			2,111,400
U.S. Department of Development Pass-through Hancock County:			
HOME Investment Partnerships Program	14.239	B-C-00-029-2	58,076
Total U.S. Department of Housing and Urban Development			58,076
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$2,169,476

The notes to the financial statements are an integral part of this statement.



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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

Board of Trustees
Hancock Metropolitan Housing Authority
Findlay, Ohio

I have audited the financial statements of Hancock Metropolitan Housing Authority as of and for the year ended December 31, 2003, and have issued my report thereon dated June 3, 2004. 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.

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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2003-1. I also noted certain immaterial instances of noncompliance, which I have reported to management of Sandusky Metropolitan Housing Authority in a separate letter dated June 3, 2004.

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. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Hancock Metropolitan Housing Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above, is material weaknesses.

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

Kevin L. Penn, Inc.

June 3, 2004



Kevin L.
Penn, Inc.

Certified Public Accountant
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Cleveland, Ohio 44120
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Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Hancock Metropolitan Housing Authority
Findlay, Ohio

Compliance

I have audited the compliance of Hancock Metropolitan Housing 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, 2003. Hancock Metropolitan Housing 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 grants applicable to each of its major federal programs is the responsibility of Hancock Metropolitan Housing Authority's management. My responsibility is to express an opinion on Hancock Metropolitan Housing Authority'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 Hancock Metropolitan Housing Authority'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 Hancock Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Hancock Metropolitan Housing 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, 2003. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2003-1.

Internal Control Over Compliance

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

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

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

Kevin L. Penn, Inc.

June 3, 2004

Hancock Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 December 31, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
Auditee qualified as low-risk auditee?	No

Hancock Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
December 31, 2003

Section II - Financial Statement Findings

2003-1

Overpayment Due HUD

Condition:

The total overpayment due the U.S. Department of HUD, exceeded five percent of the actual contribution required for the fiscal year.

Criteria:

Per HUD notice 94-64(HA) the total overpayment due to the U.S. Department of HUD, should not exceed five percent of the actual contribution required for the fiscal year.

Effect:

Noncompliance regarding the requirements of HUD notice 94-64(HA), may result in penalties and sanctions imposed against HMHA.

Cause:

Oversight by management.

Recommendation:

I recommend that financial records be reviewed on a quarterly basis with respects to monthly advances received and program costs, in order to determine whether the five percent threshold will be exceeded. In this way, the risk of jeopardizing future funding will be significantly reduced.

Section III - Federal Award Findings and Questioned Costs

See 2003-1

Hancock Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2003

2002-1

Overpayment Due HUD

Recommendation:

I recommend that financial records be reviewed on a quarterly basis with respects to monthly advances received and program costs, in order to determine whether the five percent threshold will be exceeded. In this way, the risk of jeopardizing future funding will be significantly reduced.

Auditee's Response:

I would like to note the circumstances surrounding the HMHA program in 2002. HMHA has been the recipient of large funding awards predominantly to serve the non-elderly disabled population which include mental health and MRDD mentally retarded developmentally disabled persons. This clientele is highly unpredictable and often violate the program and are on and off subsidy accordingly. Further, 2001 and 2002 saw the HMHA program multiply by a factor of ten (from 53 vouchers to 500+) to serve the disabled of our community. Our program continues to grow with a 2003 grant of another 200 vouchers. All of this makes for difficulty in projecting our financial needs but we realize the reasons for the 5% cap on HUD funds and will work to fall within the 5% in the future.

The corrective action Hancock MHA will implement will:

- quarterly review with respect to monthly advances received and program costs
- appropriate amendments to HUD 52673 (Estimate of Required Annual Contributions) and HUD 52663 (Requisition for Partial Payment of Annual Contributions)

Current Status:

The finding has not been corrected, and will be repeated in the 2003 audit.



HANCOCK METROPOLITAN HOUSING AUTHORITY

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CORRECTIVE ACTION PLAN December 31, 2003

Oversight Agency for Audit: Dept. of Housing & Urban Development

Hancock Metropolitan Housing Authority, respectfully submits the following corrective action plan for the year ended December 31, 2003.

Name and address of independent public accounting firm: Kevin L. Penn, Inc., 13212 Shaker Square, Suite 100, Cleveland, Ohio 44120

Audit Period: December 31, 2003.

The findings from the December 31, 2003 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

2003-1

Overpayment Due HUD

Recommendation: I recommend that financial records be reviewed on a quarterly basis with respect to monthly advances received and program costs, in order to determine whether the five percent threshold will be exceeded. In this way, the risk of jeopardizing future funding will be significantly reduced.

Auditee's Response: It is noted HMHA did process one amendment at the end of 2003 to reduce the advance of funds but still ended up with more than 5% of the threshold. We were still in a lease-up situation including a large number of portables being leased by a neighboring PHA making our projections difficult. In light of all of the recent reporting changes required by HUD, including those where per unit costs reflect back to the 2nd quarter of last year, we are now at a point where we can closely monitor our costs. The advances and costs are now reviewed and reported quarterly. The Executive Director and bookkeeper have both attended an extensive financial seminar to clarify the avenues and procedures required. Due to the many changes HUD is also making national webcasts available to PHA staff via the internet and this is also helpful. Further, we will be seeking closer communication with our accountant to make timely journal entries so the financial reports are easier for all to understand.

The corrective action Hancock MHA will implement:

- quarterly review with respect to monthly advances received and program costs.
- Amendments to HUD 52673 (Estimate of Required Annual Contributions) and HUD 52663 (Requisition for Partial Payment of Annual Contributions)

If there are any questions regarding this plan, please call Linda Trapp, Executive Director at (419) 424 7279.

Sincerely,

Linda Trapp, Executive Director
Hancock Metropolitan Housing Authority





**Auditor of State
Betty Montgomery**

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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 20, 2004**