

Hocking Metropolitan Housing Authority  
General Purpose Financial Statements  
For the Year Ended December 31, 2003





**Auditor of State  
Betty Montgomery**

Board of Directors  
Hocking Metropolitan Housing Authority  
50 S. High St.  
Logan, OH 43138

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

October 25, 2004

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HOCKING METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2003

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## Independent Auditors' Report

Board of Directors  
Hocking Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying general purpose financial statements of Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Hocking Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purposes financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hocking Metropolitan Housing Authority, Ohio, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of January 1, 2003. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 2, 2004, on my consideration of Hocking Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

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



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Salvatore Consiglio, CPA, Inc.  
July 2, 2004

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

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

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

**FINANCIAL HIGHLIGHTS**

- Net assets were \$6,027,743 and \$5,697,231 for 2002 and 2003, respectively. The Authority-wide statements reflect a decrease in total net assets of \$330,512 (or 5.5%), during 2003. This decrease is reflective of the year's activities.
- The business-type activity revenue decreased by \$282,629 (or 12.9%) during 2003, and was \$2,196,456 and \$1,913,827 for 2002 and 2003, respectively.
- The total expenses of all Authority programs increased by \$231,867 (or 11.5%). Total expenses were \$2,017,680 and \$2,249,547 for 2002 and 2003, respectively.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

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

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

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

Authority-Wide Financial Statements

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

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

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

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

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

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

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

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

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

**Fund Financial Statements**

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

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

Business Type Funds:

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

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units. Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Other Business (O'Neill) – Hocking Metropolitan Housing Authority operates several other business activities not related to the major federal housing programs. At present HMHA owns 15 open market apartments. Some of the units are rented to voucher holders. HMHA also provides lead inspection and clearance services to other PHA's and

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

non-profit organizations. HMHA also performs property management services to other community agencies servicing special needs populations. Properties developed under this program are developed to be available to low and moderate-income families. The rent does not exceed 30% of income for families at 50% of median income for Hocking County. HMHA homeownership and home development for sale is also included in this activity. One home was under construction during FY 2003. Development was in partnership with the Youth Build program operated by another agency. The completed home will be sold to an eligible family upon its completion.

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

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

TABLE 1  
STATEMENT OF NET ASSETS

	2003	Restated 2002
<b>Current and Other Assets</b>	\$ 609,029	\$ 629,586
<b>Capital Assets</b>	5,713,827	6,031,539
<b>TOTAL ASSETS</b>	6,322,856	6,661,125
<b>Other Liabilities</b>	349,125	340,623
<b>Long-term Liabilities</b>	276,460	292,759
<b>TOTAL LIABILITIES</b>	625,585	633,382
<b>Net Assets:</b>		
<b>Invested in Capital Assets, Net of Related Debt</b>	5,327,319	6,031,539
<b>Unrestricted</b>	369,952	(3,796)
<b>TOTAL NET ASSETS</b>	\$ 5,697,271	\$ 6,027,743

For more detailed information see the Statement of Net Assets.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

Major Factors Affecting the Statement of Net Assets

The Authority's unrestricted net assets decreased, which is reflective of the activities during the year.

TABLE 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	2003	2002
<b>REVENUES</b>		
Tenant Revenue - Rents and Other	\$ 414,845	\$ 369,142
Operating Subsidies and Grants	1,478,319	1,320,065
Capital Grants		492,638
Investment Income	8,406	14,611
Government Revenue	12,257	-
<b>TOTAL REVENUE</b>	<b>1,913,827</b>	<b>2,196,456</b>
<b>EXPENSES</b>		
Administrative	399,309	311,321
Tenant Services	3,689	10,106
Utilities	111,424	100,182
Maintenance	330,980	282,836
General	58,469	108,664
Housing Assistance Payments	983,677	847,714
Depreciation	361,999	356,857
<b>TOTAL EXPENSES</b>	<b>2,249,547</b>	<b>2,017,680</b>
<b>NET INCREASE (DECREASE)</b>	<b>\$ (335,720)</b>	<b>\$ 178,776</b>

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

Tenant revenue and operating subsidies and grants decreased modestly. Most expenses increased modestly due to inflation, except for depreciation, which remained stable and utilities and maintenance expenses increased due to harsh weather.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$5,713,827 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$317,712 from the end of last year.

TABLE 3

**CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)**

	<b>Business-type Activities</b>	
	<b>2003</b>	<b>2002</b>
<b>Land and land rights</b>	<b>\$ 616,300</b>	<b>\$ 616,300</b>
<b>Buildings</b>	<b>8,172,443</b>	<b>8,172,443</b>
<b>Equipment</b>	<b>99,587</b>	<b>97,657</b>
<b>Leasehold Improvements</b>	<b>1,519,008</b>	<b>1,476,651</b>
<b>Accumulated Depreciation</b>	<b>(4,693,511)</b>	<b>(4,331,512)</b>
<b>Total</b>	<b>\$ 5,713,827</b>	<b>\$ 6,031,539</b>

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

The following reconciliation summarizes the change in Capital Assets.

TABLE 4  
CHANGE IN CAPITAL ASSETS

	<b>Business Type Activities</b>
<b>Beginning Balance</b>	\$ 6,031,539
<b>Additions-Operations</b>	44,287
<b>Depreciation</b>	(361,999)
<b>Ending Balance</b>	\$ 5,713,827

This year's major additions are:

Construction in Progress (O'Neill Allen) \$42,357 – HMHA is provided material, land and construction management in partnership with Hocking Athens Vinton Community Action Agency for the construction of one single family home to be built by participants of the Youth Build Program. Completed home will be sold to an eligible household.

**Debt Administration**

HMHA has secured tax-exempt debt to finance its non-federal business activities. HMHA has two types of debt on place. Long-term debt, which is self-amortized over a fixed term, is used for financing income-generating apartments. Short-term debt, which is interest only with a balance due at the end of its term, is used to for construction financing of the single-family homes to be sold. The 15 open market apartments and the Youth Build House secure the debt. HMHA also holds a note from Hocking Housing Management, Inc. for its single-family home development program. Income from business operation is sufficient to meet debt expense.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2003**

**Unaudited**

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**IN CONCLUSION**

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

**FINANCIAL CONTACT**

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

Respectfully submitted,

Craig Garrelts  
Executive Director

**Hocking Metropolitan Housing Authority  
Statement of Net Assets  
Proprietary Funds Types - Enterprise Fund  
December 31, 2003**

***ASSETS***

**Current assets**

Cash and cash equivalents	\$ 117,079
Investments	320,747
Receivables, net	92,006
Inventories, net	15,812
Prepaid expenses and other assets	11,437
Interprogram due from	20,147
<b>Total current assets</b>	<b><u>577,228</u></b>

**Noncurrent assets**

Restricted cash and cash equivalents	31,801
Capital assets:	
Land	616,300
Building and equipment	9,716,559
Construction in Progress	74,479
Less accumulated depreciation	<u>(4,693,511)</u>
Capital assets, net	<u>5,713,827</u>
<b>Total noncurrent assets</b>	<b><u>5,745,628</u></b>

<b>Total assets</b>	<b><u><u>\$ 6,322,856</u></u></b>
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***LIABILITIES***

**Current liabilities**

Accounts payable	\$ 29,396
Accrued liabilities	41,841
Intergovernmental payables	21,909
Tenant security deposits	27,189
Deferred revenue	41,627
Bonds, notes, and loans payable	167,016
Interprogram due to	20,147
<b>Total current liabilities</b>	<b><u>349,125</u></b>

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

**Hocking Metropolitan Housing Authority**  
**Statement of Net Assets**  
**Proprietary Funds Types - Enterprise Fund**  
**December 31, 2003**

**Noncurrent liabilities**

Bonds, notes, and loans payable	261,701
Accrued compensated absences non-current	14,759
	276,460
<b>Total noncurrent liabilities</b>	<b>276,460</b>
<b>Total liabilities</b>	<b>\$ 625,585</b>

***NET ASSETS***

Invested in capital assets, net of related debt	\$ 5,285,110
Unrestricted net assets	412,161
	5,697,271
<b>Total net assets</b>	<b>\$ 5,697,271</b>

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

**Hocking Metropolitan Housing Authority**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds Types - Enterprise Fund**  
**For the Year Ended December 31, 2003**

***OPERATING REVENUES***

Tenant Revenue	\$ 386,696
Government operating grants	1,490,576
Other revenue	28,149
<b>Total operating revenues</b>	<b><u>1,905,421</u></b>

***OPERATING EXPENSES***

Administrative	399,309
Tenant services	3,689
Utilities	111,424
Maintenance	330,980
General	45,533
Housing assistance payment	983,677
Depreciation	361,999
<b>Total operating expenses</b>	<b><u>2,236,611</u></b>
<b>Operating income (loss)</b>	<b><u>(331,190)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	8,406
Interest expense	(12,936)
<b>Total nonoperating revenues (expenses)</b>	<b><u>(4,530)</u></b>

Change in net assets	(335,720)
Total net assets – beginning	6,027,743
Prior Period Adjustments	5,248
<b>Total net assets – ending</b>	<b><u><u>\$ 5,697,271</u></u></b>

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

**Hocking Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Fund Type - Enterprise Fund  
 For the Year Ended December 31,2003**

<b>Cash Flows from Operating Activities:</b>	
Cash received from tenants	\$379,805
Cash received from grantor	1,471,845
Cash paid to suppliers and employees	(740,342)
Cash Paid for Housing Assistance	(983,677)
	<b>127,631</b>
<b>Net cash provided by operating activities</b>	
<b>Cash Flows from Capital and Financing Activities:</b>	
Property and equipment purchased	(44,287)
Retirement of Debt	(70,200)
Interest received	8,406
	<b>(106,081)</b>
<b>Net cash used for Capital and Financing Activities</b>	
Net Increase (Decrease) in Cash	21,550
Cash and cash equivalents - Beginning of Year	127,330
	<b>\$148,880</b>
	<b>\$148,880</b>

**Reconciliation of Net Income to Cash Provided by Operating Activities:**

Net income	(\$335,720)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	361,999
Bad Debt	5,088
Prior period adjustment	(5,248)
(Increase) Decrease in accounts receivable	71,627
(Increase) Decrease in prepaid expenses	(5,455)
(Increase) Decrease in Inventory	(3,693)
Increase (Decrease) in accounts payable	(17,052)
Increase (Decrease) in deferred revenue	39,712
Increase (Decrease) in accrued expenses	11,810
Increase (Decrease) in tenant security deposit payable	4,563
	<b>4,563</b>
<b>Net cash provided by operating activities</b>	<b>\$127,631</b>

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

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

**Summary of Significant Accounting Policies**

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

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 early, in the current fiscal year.

**Reporting Entity**

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

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

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

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

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

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

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

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus/Basis of Accounting**

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2003 totaled \$8,406.

**Fixed Assets**

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

**Cash and Cash Equivalents**

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

**Compensated Absences**

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

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

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

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

**Net Assets**

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

**Budgetary Accounting**

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

**Estimates**

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

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS**

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

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

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

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and cash Equivalents	\$141,734	\$141,734	\$0	\$0	\$117,079
Restricted cash and cash equivalents	31,801	31,801	0	0	31,801
Investments	320,747	320,747	0	0	320,747
<b>Total Deposits</b>	<b>\$494,282</b>	<b>\$494,282</b>	<b>\$0</b>	<b>\$0</b>	<b>\$469,627</b>

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

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

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

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

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

HOCKING METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 (CONTINUED)

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

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

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

**NOTE 4: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2003 the Authority maintains

**NOTE 4: RISK MANAGEMENT** (Continued)

comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

**NOTE 5: FIXED ASSETS**

The following is a summary:

Land	\$616,300
Buildings	8,172,443
Furniture, Machinery and Equipment	99,587
Leasehold Improvement	1,444,529
Construction in Progress	74,479
	_____
Total Fixed Assets	10,407,338
Accumulated Depreciation	(4,693,511)
	_____
Net Fixed Assets	\$5,713,827

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

The following is a summary of changes:

	<b>Balance 12/31/02</b>	<b>Adjust.</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 12/31/03</b>
Land	\$616,300	\$0	\$0	\$0	\$616,300
Buildings	8,172,443	0	0	0	8,172,443
Furnt, Mach. and Equip.	97,657	0	1,930	0	99,587
Leasehold Improvement	1,476,651	(32,122)	0	0	1,444,529
Construction in Progress	0	32,122	42,357	0	74,479
<b>Total Fixed Assets</b>	<b>\$10,363,051</b>	<b>\$0</b>	<b>\$44,287</b>	<b>\$0</b>	<b>\$10,407,338</b>

The depreciation expense for the year ended December 31, 2003 was \$361,999.

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

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended December 31, 2003, 2002 and 2001 were \$40,317, \$38,684, and \$58,809, respectively. The full amount has been contributed for 2002 and 2001. Ninety-one percent has been contributed for 2003, with the remainder being reported as a liability with the enterprise fund.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

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

of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2003 was 5.0 percent of covered payroll, which amounted to \$13,172. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2001 was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

**NOTE 8: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustment in total of \$5,248 was necessary to properly reconcile the beginning balance sheet amounts per the accounting records with the amounts reported in prior audit report. The adjustments are as follows:

**Housing Choice Voucher:**

- HUD Adjustment to FYE 2002 Administration Fee earned	<u>\$5,248</u>
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HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

**NOTE 9: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

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

**NOTE 10: LONG-TERM DEBT**

**Mortgage Payable**

Hocking Metropolitan Housing Authority has 4 outstanding mortgages payable and a construction loan as of December 31, 2003. These loans were obtained to purchase of property from the Board Funds.

<u>DESCRIPTION</u>	<u>BALANCE</u>		
	<u>12/31/03</u>	<u>RATE</u>	<u>TERM</u>
Loan from Bank One	\$134,888	2.7625%	15 Years
City of Logan - O'Neil	\$43,694	0.0%	15 Years
Orchard Street Loan	\$47,659	6.18%	5 Years
4 <sup>th</sup> Street Loan	\$52,476	6.18%	15 Years

The following is a summary of changes in long-term debt for the year ended December 31, 2003:

<u>DESCRIPTION</u>	<u>BALANCE</u>			<u>BALANCE</u>
	<u>12/31/02</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>12/31/03</u>
Loan from Bank One	\$141,658	\$0	\$6,770	\$134,888
City of Logan - O'Neil	47,361	0	3,667	43,694
Orchard Street Loan	50,261	0	2,602	47,659
4 <sup>th</sup> Street Loan	55,384	0	2,908	52,476
Construction Loan	204,253	0	54,253	150,000
<b>TOTAL DEBT</b>	<b>\$498,917</b>	<b>\$0</b>	<b>\$70,200</b>	<b>\$428,717</b>

Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2004	\$167,016
2005	59,922
2006	15,435
2007	15,891
2008	16,366
Later Years	154,087
<b>Total</b>	<b>\$428,717</b>

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(CONTINUED)

**NOTE 11: CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year 2003 the Authority implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. The table bellow shows the reclassification adjustment necessary.

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$5,007,169	\$1,020,574	\$0	\$0	\$6,027,743
Reclassification- GASB 34	(5,007,169)	(1,020,574)	5,673,022	354,721	0
Restated Beginning Balance	0	0	5,673,022	354,721	6,027,743
Fixed Assets Addition	0	0	44,287	0	44,287
Unrestricted Assets used for Fixed Assets	0	0	0	(44,287)	(44,287)
Depreciation Expense	0	0	(361,999)	0	(361,999)
Debt Principal Payment	0	0	(70,200)	0	(70,200)
Unrestricted Assets used for Debt Retirement	0	0	0	70,200	70,200
Current Year Income	0	0	0	31,527	31,527
Ending Net Assets	\$0	\$0	\$5,285,110	\$412,161	\$ 5,697,271

Hocking Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$26,566	\$16,894	\$0	\$23,984	\$0	\$49,635	\$117,079
115	Cash - Restricted for Payment of Current Liabilities	0	0	0	0	0	0	0
113	Cash - Other Restricted	0	0	0	0	0	0	0
114	Cash - Tenant Security Deposits	3,134	28,667	0	0	0	0	31,801
100	Total Cash	29,700	45,561	0	23,984	0	49,635	148,880
122	Accounts Receivable - HUD Other Projects	0	0	0	15,188	2,583	0	17,771
124	Accounts Receivable - Other Government	0	0	0	0	0	960	960
125	Accounts Receivable - Miscellaneous	67,247	3,593	0	0	0	0	70,840
126	Accounts Receivable - Tenants - Dwelling Rents	88	3,237	0	0	0	0	3,325
126.1	Allowance for Doubtful Accounts - Dwelling Rents	0	(890)	0	0	0	0	(890)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0
120	Total Receivables, net of allowances for doubtful accounts	67,335	5,940	0	15,188	2,583	960	92,006
131	Investments - Unrestricted	0	320,747	0	0	0	0	320,747
132	Investments Restricted	0	0	0	0	0	0	0
142	Prepaid Expenses and Other Assets	2,353	9,084	0	0	0	0	11,437
143	Inventories	0	16,554	0	953	0	0	17,507
143.1	Allowance for Obsolete Inventories	0	(1,600)	0	(95)	0	0	(1,695)
144	Interprogram Due From	2,000	17,896	0	251	0	0	20,147
150	Total Current Assets	101,388	414,182	0	40,281	2,583	50,595	609,029

Pike Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
161	Land	28,048	588,252	0	0	0	0	616,300
162	Buildings	344,131	7,806,543	0	0	21,769	0	8,172,443
163	Furniture, Equipment & Machinery - Dwellings	5,255	70,145	0	0	0	0	75,400
164	Furniture, Equipment & Machinery - Administration	0	12,138	0	12,049	0	0	24,187
165	Leasehold Improvements	0	1,444,529	0	0	0	0	1,444,529
166	Accumulated Depreciation	(65,405)	(4,614,869)	0	(12,049)	(1,188)	0	(4,693,511)
167	Construction In Progress	74,479	0	0	0	0	0	74,479
160	Total Fixed Assets, Net of Accumulated Depreciation	386,508	5,306,738	0	0	20,581	0	5,713,827
190	Total Assets	\$487,896	\$5,720,920	\$0	\$40,281	\$23,164	\$50,595	\$6,322,856
312	Accounts Payable <= 90 Days	\$1,702	\$26,644	\$0	\$1,050	\$0	\$0	\$29,396
321	Accrued Wage/Payroll Taxes Payable	0	26,402	0	0	0	0	26,402
322	Accrued Compensated Absences - Current Portion	434	8,959	0	4,399	0	370	14,162
333	Accounts Payable - Other Government	0	21,909	0	0	0	0	21,909
341	Tenant Security Deposits	3,134	24,055	0	0	0	0	27,189
342	Deferred Revenues	2,353	0	0	0	0	39,274	41,627
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	167,016	0	0	0	0	0	167,016
346	Accrued Liabilities - Other	0	22	0	1,255	0	0	1,277
347	Interprogram Due To	5,691	251	0	2,000	2,583	9,622	20,147
310	Total Current Liabilities	180,330	108,242	0	8,704	2,583	49,266	349,125



Hocking Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended December 31, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	57,704	318,584	0	0	0	0	376,288
704	Tenant Revenue - Other	100	10,308	0	0	0	0	10,408
705	Total Tenant Revenue	57,804	328,892	0	0	0	0	386,696
706	HUD PHA Operating Grants	0	298,936	0	1,144,027	35,356	0	1,478,319
708	Other Government Grants	0	0	0	0	0	12,257	12,257
711	Investment Income - Unrestricted	136	5,843	0	593	0	0	6,572
715	Other Revenue	24,934	3,075	0	140	0	0	28,149
720	Investment Income - Restricted	0	1,500	0	334	0	0	1,834
700	Total Revenue	82,874	638,246	0	1,145,094	35,356	12,257	1,913,827
911	Administrative Salaries	9,393	77,925	0	73,532	11,988	6,214	179,052
912	Auditing Fees	0	1,940	0	3,610	0	0	5,550
914	Compensated Absences	33	(1,691)	0	2,881	0	1,698	2,921
915	Employee Benefit Contributions - Administrative	3,054	23,370	0	27,366	6,785	2,992	63,567
916	Other Operating - Administrative	11,677	55,681	0	79,508	0	1,353	148,219
924	Tenant Services - Other	0	3,689	0	0	0	0	3,689
931	Water	2,861	34,321	0	0	0	0	37,182
932	Electricity	2,783	59,243	0	0	0	0	62,026
933	Gas	3,206	7,050	0	0	0	0	10,256
938	Other Utilities Expense	0	1,960	0	0	0	0	1,960
941	Ordinary Maintenance and Operations - Labor	0	127,349	0	0	0	0	127,349
942	Ordinary Maintenance and Operations - Materials and Other	2,808	37,922	0	0	0	0	40,730

Hocking Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended December 31, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
943	Ordinary Maintenance and Operations - Contract Costs	2,920	95,337	0	11,507	16,583	0	126,347
945	Employee Benefit Contributions - Ordinary Maintenance	0	36,554	0	0	0	0	36,554
961	Insurance Premiums	2,268	16,268	0	0	0	0	18,536
963	Payments in Lieu of Taxes	0	21,909	0	0	0	0	21,909
964	Bad Debt - Tenant Rents	0	5,088	0	0	0	0	5,088
967	Interest Expense	12,936	0	0	0	0	0	12,936
969	Total Operating Expenses	53,939	603,915	0	198,404	35,356	12,257	903,871
970	Excess Operating Revenue over Operating Expenses	28,935	34,331	0	946,690	0	0	1,009,956
973	Housing Assistance Payments	0	0	0	983,677	0	0	983,677
974	Depreciation Expense	12,732	348,475	0	0	792	0	361,999
900	Total Expenses	66,671	952,390	0	1,182,081	36,148	12,257	2,249,547
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	16,203	(314,144)	0	(36,987)	(792)	0	(335,720)
1103	Beginning Equity	0	5,328,069	131,879	58,799	479,733	29,263	6,027,743
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	29,263	590,239	(131,879)	5,248	(458,360)	(29,263)	5,248
	Ending Equity	\$45,466	\$5,604,164	\$0	\$27,060	\$20,581	\$0	\$5,697,271

Hocking Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change In Retained Earnings  
FDS Schedule Submitted to REAC  
Proprietary Fund Type – Enterprise Fund  
Year Ended December 31, 2003

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	70,200	0	0	0	0	0	70,200
1113	Maximum Annual Contributions Commitment (Per ACC)	0	0	0	319,605	0	0	319,605
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	0	0	0	1,318,314	0	0	1,318,314
1115	Contingency Reserve, ACC Program Reserve	0	0	0	177,977	0	0	177,977
1116	Total Annual Contributions Available	0	0	0	1,815,896	0	0	1,815,896
1120	Unit Months Available	0	1,956	0	3,672	0	180	5,808
1121	Number of Unit Months Leased	0	1,956	0	3,672	0	180	5,808

Hocking Metropolitan Housing Authority  
Schedule of Expenditures of Federal Award  
For the Year Ended December 31, 2003

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Program		
Low Rent Public Housing	14.850	\$298,936
Housing Choice Vouchers	14.871	1,144,027
Public Housing Capital Fund Program	14.872	<u>35,356</u>
Total U.S. Department of Housing and Urban Development		<u>1,478,319</u>
<b>U.S. Department of Health and Human Services</b>		
Pass Through Hocking Family and Children First Council		
Temporary Assistance for Needy Families	93.558	<u>3,753</u>
Total U.S. Department of Health and Human Services		<u>3,753</u>
<b>U.S. Department of Education</b>		
Pass Through Hocking Family and Children First Council		
Special Education – Grant for Infants and Families with Disabilities	84.181	<u>5,627</u>
Total U.S. Department of Education		<u>5,627</u>
<b>TOTAL AWARDS</b>		<b><u><u>\$1,487,699</u></u></b>



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

Board of Directors  
Hocking Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the general purpose financial statements of the Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, and have issued my report thereon dated July 2, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Hocking Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

July 2, 2004



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

Board of Directors  
Hocking Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

I have audited the compliance of the Hocking Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. Hocking Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hocking Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Hocking Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

As described in items FED-2003-1 through FED-2003-4 in the accompanying schedule of findings and questioned costs, Hocking Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions that are applicable to its Low Rent Public Housing and Housing Choice Voucher Programs. Compliance with such requirements is necessary, in my opinion, for Hocking Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Hocking Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

### **Internal Control Over Compliance**

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

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

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



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Salvatore Consiglio, CPA, Inc.

July 2, 2004

Hocking Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2003

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any materials internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.850 & 14.871- Low Rent Public Housing & Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended December 31, 2003.

Hocking Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2003

3. FINDINGS REALTED TO FEDERAL AWARDS
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FINDING NUMBER	FED-2003-1
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**Third Party Documentation**

**U.S. Department of HUD  
Low Rent Public Housing (CFDA # 14.850a)  
Housing Choice Voucher Program (CFDA # 14.871)**

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

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

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

Audit procedures over tenant files revealed the following:

- Housing Choice Voucher Program – 1 error noted from 26 files reviewed.
- Low Rent Public Housing Program – 6 errors noted from 24 files reviewed.

FINDING NUMBER	FED-2003-2
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**Annual Recertification**

**U.S. Department of HUD  
Low Rent Public Housing (CFDA # 14.850)**

24 CFR 960.257 states “families who pay an income-based rent, the PHA must conduct a reexamination of family income and composition at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information. Also, for families who choose flat rents, the PHA must

Hocking Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2003

conduct a reexamination of family composition at least annually, and must conduct a reexamination of family income at least once every three years.

A review of 24 low rent tenant file revealed 2 errors. The Authority did not conduct the required annual reexamination of family income and composition within the required 12 month period.

Recommendation:

The Authority must perform the required annual reexamination timely.

FINDING NUMBER	FED-2003-3
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**Supporting Documentation**

**U.S. Department of HUD  
Low Rent Public Housing (CFDA # 14.850)  
Housing Choice Voucher (CFDA # 14.871)**

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

A review of 24 Low Rent tenant files revealed the following:

- 5 files did not contained copy of the participant social security card.

A review of 26 Voucher files revealed the following errors:

- 5 files did not have a signed declaration of citizenship.

Recommendation:

The PHA must make sure that proper supporting documentation is retained in the files.

Hocking Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2003

FINDING NUMBER	FED-2003-4
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**Release of Information Form**

**U.S. Department of HUD  
Housing Choice Voucher Program (CFDA # 14.871)**

24 CFR 5.230 states “Each member of the family of an assistance applicant or participant who is at least 18 years of age, and each family head and spouse regardless of age, shall sign one or more consent forms. The assistance applicant shall submit the signed consent forms to the processing entity when eligibility ... is being determined. A regular participant shall sign and submit consent forms at the next regularly scheduled income reexamination”.

A review of 26 voucher files revealed 2 errors in the Voucher Program. The files did not contained copy of the signed form 9886.

**Recommendation:**

The PHA must make sure that form HUD-9886 is properly signed and maintained in file.

Hocking Metropolitan Housing Authority  
 Schedule of Prior Audit Findings  
 December 31, 2003

The following are the status of the December 31, 2002 audit findings. Those findings not fully corrected are repeated in the 2003 audit report.

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
FED-2002-1	Third Party Verification	No	Not Corrected. Finding was repeated in audit report.





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**HOCKING METROPOLITAN HOUSING AUTHORITY  
HOCKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 9, 2004**