# HANCOCK METROPOLITAN HOUSING AUTHORITY

## AUDIT REPORT

## FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

Board of Trustees
Hancock Metropolitan Housing Authority
1800N. Blanchard, Suite 114
Findlay, Ohio 45840-3048

We have reviewed the *Independent Auditor's Report* of the Hancock Metropolitan Housing Authority, Hancock County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hancock Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 5, 2007

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

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

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

Board of Trustees
Hancock Metropolitan Housing Authority
Findlay, Ohio

Regional Inspector General for Audit
U.S. Department of Housing and
Urban Development

We have audited the accompanying basic financial statements of the Hancock Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hancock Metropolitan Housing Authority, Ohio, as of December 31, 2006, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2007 on our consideration of the Hancock Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements of the Hancock Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

September 20, 2007

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

This Management's Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, which begin on page 9.

## *FINANCIAL HIGHLIGHTS*

- During 2006, the Authority's net assets increased by $1,271,398 (or 282.7 percent). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were $1,721,054 and $449,656 for fiscal years 2006 and 2005, respectively.

- The revenue increased by $502,187 (or 17.9 percent) during 2006, and was $3,307,792 and $2,805,605 for 2006 and 2005, respectively.

- The total expenses of the Authority decreased by $568,166 (or 21.8 percent) during 2006. Expenses were $2,036,394 and $2,604,560 for 2006 and 2005, respectively.

The primary focus of the Authority's financial statements (summarized fund-type information) has been discarded. The new and clearly preferable 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 (see pages 9-11) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

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

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

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

Restricted Net Assets
This component of net assets consists of restricted assets, when constraints are placed on the assets by creditors ( such as debt covenants), grantors, contributors, laws, regulations, contracts, and grant agreements.

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

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

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

Finally, the Statement of Cash Flows (see page 11) is included which discloses net cash provided by or used for operating activities, non-capital financing activities and from capital and related financing activities.

## *FUND FINANCIAL STATEMENTS*

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

## *THE AUTHORITY'S FUNDS*

### ***Business Type Funds***

The Housing Choice Voucher Program

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

Other Non-Major Programs

In addition to the program above, the Authority also operates the following programs. The Authority received funding from Hancock County's HOME program during the fiscal year. In addition this activity includes operating a revolving loan program.

State/Local activities represent non-HUD resources developed from a variety of activities.

## *AUTHORITY-WIDE STATEMENT*

### ***Statement of Net Assets***

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

**Table 1 - Statement of Net Assets**

| | 2006 | 2005 |
|---|---|---|
| Current and Other Assets | $ 1,764,297 | $ 596,221 |
| Capital Assets | 29,838 | 2,035 |
| **Total Assets** | 1,794,135 | 598,256 |
| | | |
| Current Liabilities | 26,250 | 66,623 |
| Non-Current Liabilities | 46,831 | 81,977 |
| **Total Liabilities** | 73,081 | 148,600 |
| | | |
| Net Assets: | | |
| Invested in Capital Assets, Net of Related Debt | 29,838 | 2,035 |
| Unrestricted | 1,691,216 | 447,621 |
| **Total Net Assets** | $ 1,721,054 | $ 449,656 |

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

*Major Factors Affecting the Statement of Net Assets*

Current assets (primarily cash) increased by $1,168,076 in fiscal year 2006 and liabilities decreased by $75,519. The increase in current assets was primarily due to the excess of revenue over expenses for the year. The decrease in current liabilities is primarily a reduction of the payable to Hancock County from fiscal year 2006 of $45,000 and a reduction of the FSS Liability.

**Table 2 - Changes of Unrestrictive Net Assets**

| | | |
|---|---|---|
| Unrestricted Net Assets December 31, 2005 | | $ 447,621 |
| Results of Operations | $ 1,271,398 | |
| Adjustments: | | |
| Depreciation (1) | 3,332 | |
| Adjusted Results from Operations | | 1,274,730 |
| Capital Expenditures | | (31,135) |
| Unrestricted Net Assets December 31, 2006 | | $1,691,216 |

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

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in unrestricted net assets provides a clearer change in financial well-being.

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

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

| | 2006 | 2005 |
|---|---|---|
| **Revenues**: | | |
| HUD PHA Operating Grants | $ 3,105,266 | $2,765,686 |
| Other Revenues | 42,294 | 19,301 |
| Other Government Grants | 126,897 | 14,344 |
| Investment Income | 33,335 | 6,274 |
| **Total Revenues** | 3,307,792 | 2,805,605 |
| **Expenses**: | | |
| Administrative | 282,767 | 296,680 |
| Utilities | 7,784 | 2,981 |
| Maintenance | 9,978 | 6,840 |
| General | 16,335 | 21,985 |
| Housing Assistance Payments | 1,716,198 | 2,274,326 |
| Depreciation | 3,332 | 1,748 |
| **Total Expenses** | 2,036,394 | 2,604,560 |
| **Net Increase/(Decrease)** | $ 1,271,398 | $ 201,045 |

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

HUD PHA Grants increased significantly from the prior fiscal year. As instructed by HUD the Authority took what measures they could stabilizing rents to decrease their average HAP payments.

Staffing changes during the fiscal year 2006 contributed to the decrease of $13,913 in the Administrative Expense category.

Most other expenses increased moderately due to inflation. Depreciation increased due to assets additions during the fiscal year 2006.

## *CAPITAL ASSETS AND DEBT ADMINISTRATION*

### *Capital Assets*

As of December 31, 2006, the Authority had $29,838 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation).

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

| | Business-Type Activities | |
|---|---|---|
| | 2006 | 2005 |
| Equipment - Administrative | $ 46,947 | $ 15,812 |
| Accumulated Depreciation | (17,109) | (13,777) |
| **Total** | $ 29,838 | $ 2,035 |

The following reconciliation summarizes the change in capital assets.

**Table 5 - Change in Capital Assets**

| | |
|---|---|
| Beginning Balance | $ 2,035 |
| Additions | 31,135 |
| Dispositions | 0 |
| Depreciation | (3,332) |
| **Ending Balance** | $ 29,838 |

The Authority did not have any outstanding debt at December 31, 2006 and 2005.

## *ECONOMIC FACTORS*

Significant economic factors affecting the Authority are as follows:

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

## *FINANCIAL CONTACT*

The individual to be contacted regarding this report is Dianne J. Osborn, Executive Director, the Hancock Metropolitan Housing Authority, at 419-424-7848. Specific requests may be submitted to the Authority at 604 Lima Avenue, Findlay, Ohio 45840.

# HANCOCK METROPOLITAN HOUSING AUTHORITY
## STATEMENT OF NET ASSETS
## PROPRIETARY FUNDS
## DECEMBER 31, 2006

| | |
|---|---|
| **Assets** | |
| Current Assets: | |
| Cash and Cash Equivalents | $ 1,672,000 |
| Receivables, Net | 91,265 |
| Prepaid Expenses and Other Assets | 1,010 |
| **Total Current Assets** | 1,764,275 |
| | |
| Non-Current Assets: | |
| Capital Assets: | |
| Building and Equipment | 46,947 |
| Less Accumulated Depreciation | (17,109) |
| Capital Assets, Net | 29,838 |
| Other Non-Current Assets | 22 |
| Total Non-Current Assets | 29,860 |
| | |
| **TOTAL ASSETS** | $ 1,794,135 |
| | |
| **Liabilities** | |
| Current Liabilities: | |
| Accounts Payable | $ 16,905 |
| Accrued Liabilities | 9,345 |
| **Total Current Liabilities** | 26,250 |
| | |
| Non-Current Liabilities: | |
| Accrued Compensated Absences | 27,217 |
| Non-Current Liabilities - Other | 19,614 |
| **Total Non-Current Liabilities** | 46,831 |
| | |
| **TOTAL LIABILITIES** | 73,081 |
| | |
| **Net Assets** | |
| Invested in Capital Assets, Net of Related Debt | 29,838 |
| Unrestricted Net Assets | 1,691,216 |
| | |
| **TOTAL NET ASSETS** | $1,721,054 |

See accompanying notes to the basic financial statements.

# HANCOCK METROPOLITAN HOUSING AUTHORITY
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2006

| | |
|---|---:|
| **Operating Revenues** | |
| Government Operating Grants | $ 3,232,163 |
| Other Revenue | 42,294 |
| **Total Operating Revenues** | 3,274,457 |
| **Operating Expenses** | |
| Administrative | 282,767 |
| Utilities | 7,784 |
| Maintenance | 9,978 |
| General | 16,335 |
| Housing Assistance Payment | 1,716,198 |
| Total Operating Expenses Before Depreciation | 2,033,062 |
| Depreciation | 3,332 |
| **Total Operating Expenses** | 2,036,394 |
| **Operating Income** | 1,238,063 |
| **Non-Operating Revenues (Expenses)** | |
| Interest and Investment Revenue | 33,335 |
| **Total Non-Operating Revenues (Expenses)** | 33,335 |
| Net Income | 1,271,398 |
| Total Net Assets - Beginning of Year | 449,656 |
| **Net Assets - End of Year** | $ 1,721,054 |

See accompanying notes to the basic financial statements.

**HANCOCK METROPOLITAN HOUSING AUTHORITY**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2006**

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Cash Received from HUD | $ 3,124,260 |
| Cash Received from Other Sources | 35,201 |
| Cash Payments for Housing Assistance | (1,716,198) |
| Cash Payments for Operating Expenses | (347,417) |
| **Net Cash Provided by Operating Activities** | 1,095,846 |
| **Cash Flows from Investing Activities** | |
| Interest Received | 33,335 |
| **Net Cash Flows from Investing Activities** | 33,335 |
| **Cash Flows from Capital and Related Financing** | |
| Purchase of Capital Assets | (31,135) |
| **Net Cash Flows from Capital and Related Financing** | (31,135) |
| Net (Decrease) in Cash and Cash Equivalents | 1,098,046 |
| Cash and Cash Equivalents, Beginning | 573,954 |
| **Cash and Cash Equivalents, Ending** | $ 1,672,000 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities** | |
| Operating Income | $ 1,238,063 |
| Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation | 3,332 |
| Increase (Decrease) in: | |
| HUD Accounts Receivable | (62,903) |
| Other Assets | (7,127) |
| (Increase) Decrease in: | |
| Accounts Payable | 1,390 |
| FSS Program Liability | (32,752) |
| Intergovernmental Payables | (45,000) |
| Accrued Liabilities | 843 |
| **Net Cash Provided by Operating Activities** | $ 1,095,846 |

See accompanying notes to the basic financial statements.

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

**Organization**

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

**Basis of Accounting**

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles, as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No, 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

**Machinery, Furnishings, and Equipment**

Machinery, furnishings, and equipment are recorded at cost, over the useful life using the straight-line method. Total depreciation expense for the 2006 calendar year was $3,332.

**Cash and Cash Equivalents**

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

**Use of Estimates**

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

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Compensated Absences**

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

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

**Financial Statement Format and Content**

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

**Capital Contributions**

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

**Budgetary Accounting**

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

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

**Change in Accounting Principles**

For fiscal year 2006, the Authority implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, GASB Statement No. 47, *Accounting for Termination Benefits*.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements that amount of net assets restricted by enabling legislation. The implementation of GASB Statement No. 46 did not have an effect on the financial statements of the Authority.

GASB Statement No. 47 provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The implementation of GASB Statement No. 47 did not have an effect on the financial statements of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

At fiscal year end, the carrying amount of the Authority's deposits were $1,672,000 and the bank balance was $1,704,636. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2006, $100,000 of the Authority's bank balance was covered by Federal Depository Insurance and deposits totaling $1,362,493 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The remainder was collateralized by public funds pooled collateral. Included in the carrying value of the Authority's deposits is $100 in petty cash.

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

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

**Investments**

The Authority has a formal investment policy; however, at December 31, 2006 the Authority had no investments.

**Interest Rate Risk**

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

**Credit Risk**

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

**Custodial Credit Risk**

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

**Concentration of Credit Risk**

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

Cash and investments at year-end were as follows:

| Cash and Investment Type | Fair Value | Investments Maturities (in Years) <1 |
|---|---|---|
| Carrying Amount of Deposits | $ 1,672,000 | $ 1,672,000 |
| Totals | $ 1,672,000 | $ 1,672,000 |

NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2006 by class is as follows:

| | 01/01/06 Balance | Additions | Deletions | 12/31/06 Balance |
|---|---|---|---|---|
| Furniture and Equipment | $ 15,812 | $ 31,135 | 0 | $ 46,947 |
| Total | 15,812 | 31,135 | 0 | 46,947 |
| Accumulated Depreciation - Furniture and Equipment | (13,777) | (3,332) | 0 | (17,109) |
| **Capital Assets, Net** | $ 2,035 | $ 27,803 | $ 0 | $ 29,838 |

NOTE 4: **INSURANCE COVERAGE**

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

| | |
|---|---|
| General Liability | $2,000,000 |
| Directors and Officers' Liability | $2,000,000 |
| Non-Owned Auto Liability | $2,000,000 |
| Building Contents | $ 30,000 |

There were no significant changes in commercial coverage in 2006. Settled claims have not exceeded insurance coverage during the past 3 years.

NOTE 5: **PENSION PLAN**

**Ohio Public Employees Retirement System**

The Authority participants in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed Plan.

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

**Ohio Public Employees Retirement System** (Continued)
OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Authority's contributions rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were $24,821, $22,867, and $23,014, respectively; 100 percent has been contributed for 2006, 2005, and 2004. The Authority's required contribution to member-directed plans for the years ended December 31, 2006, 2005, and 2004 were $1,063, $2,322 and $2,322 respectively.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local employer contribution rate was 13.70 percent of covered payroll, 4.50 percent of covered payroll was the portion that was used to fund health care.

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

**Ohio Public Employees Retirement System** (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

At December 31, 2006, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,214. The number of active contributing participants for both plans used in the December 31 2005 actuarial valuation was 358,804. OPERS' net assets available for payment of benefits at December 31, 2005 (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

NOTE 7: **COMPENSATED ABSENCES**

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

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

At December 31, 2006, based on the vesting method, $27,217 was accrued by the Authority for unused vacation and sick leave. All unused leave is considered non-current.

NOTE 8: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material operating lease commitments or material capital or construction commitments at December 31, 2006.

NOTE 9: **LITIGATION**

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

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

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

# HANCOCK METROPOLITAN HOUSING AUTHORITY
# SCHEDULE OF FEDERAL AWARDS EXPENDITURES
# FOR THE YEAR ENDED DECEMBER 31, 2006

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Agency or Pass-Through Number | Federal Expenditures |
|---|---|---|---|
| ***U.S. Department of Housing and Urban Development*** | | | |
| *Direct Programs*: | | | |
| **Housing Assistance Payments** | | | |
| Section 8 - Housing Choice Voucher Program | 14.871 | OH082VO C-5520-V | $ 1,935,625 |
| **Total U.S. Department of Housing and Urban Development - Direct Programs** | | | 1,935,625 |
| **Passed Through Hancock and Putnam Counties** | | | |
| HOME Program - Hancock County | 14.239 | | 81,425 |
| HOME Program - Putnam County | 14.239 | | 15,197 |
| **Total Passed Through Programs** | | | 96,622 |
| **TOTAL FEDERAL FINANCIAL ASSISTANCE** | | | $ 2,032,247 |

This schedule is prepared on the accrual basis of accounting.

# HANCOCK METROPOLITAN HOUSING AUTHORITY
# SUPPLEMENTAL FINANCIAL DATA SCHEDULE
# BALANCE SHEET BY PROGRAM
# DECEMBER 31, 2006

| Line Item No. | Account Description | Housing Choice Vouchers | Other Federal Program 1 | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| 111 | Cash - Unrestricted | $1,638,345 | $14,041 | $1,652,386 |
| 113 | Cash - Other Restricted | $19,614 | $0 | $19,614 |
| 100 | Total Cash | $1,657,959 | $14,041 | $1,672,000 |
| | | | | |
| 122 | Accounts Receivable - HUD Other Projects | $62,903 | $0 | $62,903 |
| 125 | Accounts Receivable - Miscellaneous | $2,244 | $26,118 | $28,362 |
| 126.2 | Allowance for Doubtful Accounts - Other | $0 | $0 | $0 |
| 120 | Total Receivables, net of allowances for doubtful accounts | $65,147 | $26,118 | $91,265 |
| | | | | |
| 142 | Prepaid Expenses and Other Assets | $1,010 | $0 | $1,010 |
| 150 | **Total Current Assets** | $1,724,116 | $40,159 | $1,764,275 |
| **Non-Current Assets** | | | | |
| 164 | Furniture, Equipment & Machinery - Administration | $16,349 | $30,598 | $46,947 |
| 166 | Accumulated Depreciation | ($14,545) | ($2,564) | ($17,109) |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | $1,804 | $28,034 | $29,838 |
| | | | | |
| 173 | Grants Receivable - Non Current | $22 | $0 | $22 |
| 180 | **Total Non-Current Assets** | $1,826 | $28,034 | $29,860 |
| | | | | |
| 190 | **TOTAL ASSETS** | $1,725,942 | $68,193 | $1,794,135 |
| | | | | |
| **LIABILITIES** | | | | |
| **Current Liabilitise** | | | | |
| 312 | Accounts Payable <= 90 Days | $16,905 | $0 | $16,905 |
| 321 | Accrued Wage/Payroll Taxes Payable | $9,345 | $0 | $9,345 |
| 310 | **Total Current Liabilities** | $26,250 | $0 | $26,250 |
| **Non-Current Liabilities** | | | | |
| 354 | Accrued Compensated Absences - Non Current | $27,217 | $0 | $27,217 |
| 353 | Noncurrent Liabilities - Other | $19,614 | $0 | $19,614 |
| 350 | **Total Noncurrent Liabilities** | $46,831 | $0 | $46,831 |
| | | | | |
| 300 | **TOTAL LIABILITIES** | $73,081 | $0 | $73,081 |
| | | | | |
| 508 | Total Contributed Capital | $0 | $0 | $0 |
| | | | | |
| 508.1 | Invested in Capital Assets, Net of Related Debt | $1,804 | $28,034 | $29,838 |
| 511 | Total Reserved Fund Balance | $0 | $0 | $0 |
| | | | | |
| 511.1 | Restricted Net Assets | $0 | $0 | $0 |
| 512.1 | Unrestricted Net Assets | $1,651,057 | $40,159 | $1,691,216 |
| 513 | Total Equity/Net Assets | $1,652,861 | $68,193 | $1,721,054 |
| | | | | |
| 600 | **Total Liabilities and Equity/Net Assets** | $1,725,942 | $68,193 | $1,794,135 |

## HANCOCK METROPOLITAN HOUSING AUTHORITY
## SUPPLEMENTAL FINANCIAL DATA SCHEDULE
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
## DECEMBER 31, 2006

| Line Item No. | Account Description | Housing Choice Vouchers | Other Federal Program 1 | Total |
|---|---|---|---|---|
| **REVENUES** | | | | |
| 705 | Total Tenant Revenue | $0 | $0 | $0 |
| | | | | |
| 706 | HUD PHA Operating Grants | $3,105,266 | $0 | $3,105,266 |
| 708 | Other Government Grants | $0 | $126,897 | $126,897 |
| 711 | Investment Income - Unrestricted | $33,335 | $0 | $33,335 |
| 714 | Fraud Recovery | $7,388 | $0 | $7,388 |
| 715 | Other Revenue | $30,586 | $4,320 | $34,906 |
| 700 | **Total Revenue** | $3,176,575 | $131,217 | $3,307,792 |

**EXPENSES**

| | | | | |
|---|---|---|---|---|
| 911 | Administrative Salaries | $183,889 | $3,720 | $187,609 |
| 912 | Auditing Fees | $11,523 | $0 | $11,523 |
| 915 | Employee Benefit Contributions - Administrative | $53,125 | $600 | $53,725 |
| 916 | Other Operating - Administrative | $29,910 | $0 | $29,910 |
| 938 | Other Utilities Expense | $7,784 | $0 | $7,784 |
| 942 | Ordinary Maintenance and Operations - Materials and Other | $9,978 | $0 | $9,978 |
| 961 | Insurance Premiums | $2,854 | $0 | $2,854 |
| 962 | Other General Expenses | $126 | $0 | $126 |
| 966 | Bad Debt - Other | $7,342 | $6,013 | $13,355 |
| 969 | **Total Operating Expenses** | $306,531 | $10,333 | $316,864 |
| | | | | |
| 970 | Excess Operating Revenue over Operating Expenses | $2,870,044 | $120,884 | $2,990,928 |
| | | | | |
| 973 | Housing Assistance Payments | $1,628,326 | $87,872 | $1,716,198 |
| 974 | Depreciation Expense | $768 | $2,564 | $3,332 |
| 900 | Total Expenses | $1,935,625 | $100,769 | $2,036,394 |
| | | | | |
| 1010 | Total Other Financing Sources (Uses) | $0 | $0 | $0 |
| | | | | |
| 1000 | Excess (Deficiency) of Operating Revenue Over (Under) Expenses | $1,240,950 | $30,448 | $1,271,398 |

| | | | | |
|---|---|---|---|---|
| 1102 | Debt Principal Payments - Enterprise Funds | $0 | $0 | $0 |
| 1103 | Beginning Equity | $411,911 | $37,745 | $449,656 |
| 1104 | Prior Period Adjustments, Equity Transfers and Correction of Errors | $0 | $0 | $0 |
| 1113 | Maximum Annual Contributions Commitment (Per ACC) | $3,815,623 | $0 | $3,815,623 |
| 1114 | Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months | $0 | $0 | $0 |
| 1115 | Contingency Reserve, ACC Program Reserve | $0 | $0 | $0 |
| 1116 | Total Annual Contributions Available | $3,815,623 | $0 | $3,815,623 |
| | | | | |
| 1120 | Unit Months Available | 5,850 | 30 | 5,880 |
| 1121 | Number of Unit Months Leased | 5,850 | 30 | 5,880 |
| 1117 | Administrative Fee Equity | $389,907 | $0 | $389,907 |
| 1118 | Housing Assistance Payments Equity | $1,262,954 | $0 | $1,262,954 |

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

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

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the Hancock Metropolitan Housing Authority (the Authority) as of and for the year ended December 31, 2006, and have issued our report thereon dated September 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

**Compliance and Other Matters**

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

We noted certain additional matters that we reported to the management of the Hancock Metropolitan Housing Authority in separate letter dated September 20, 2007.

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

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

September 20, 2007

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

Board of Trustees
Hancock Metropolitan Housing Authority
Findlay, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

**Compliance**

We have audited the compliance of the Hancock Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2006. The Authority's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major Federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

As described in Finding 2006-1 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding Reasonable Rent that are applicable to its Section 8 Housing Choice Voucher Program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

As described in Finding 2006-2 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding Utility Allowance Schedule that are applicable to its Section 8 Housing Choice Voucher Program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2006.

**Internal Control Over Compliance**

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

Our 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 significant deficiency 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 grant agreements caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We noted certain additional matters that we reported to the management of the Hancock Metropolitan Housing Authority in a separate letter dated September 20, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, Auditor of State, and Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

James G. Zupka CPA, Inc.
Certified Public Accountants

September 20, 2007

**HANCOCK METROPOLITAN HOUSING AUTHORITY**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**OMB CIRCULAR A-133 & .505**
**DECEMBER 31, 2006**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| 2006(i) | Type of Financial Statement Opinion | Unqualified |
| 2006(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| 2006(ii) | Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)? | No |
| 2006(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| 2006(iv) | Were there any material internal control weakness conditions reported for major Federal programs? | No |
| 2006(iv) | Were there any other reportable internal control weakness conditions reported for major Federal programs? | No |
| 2006(v) | Type of Major Programs' Compliance Opinion | Qualified |
| 2006(vi) | Are there any reportable findings under .510? | Yes |
| 2006(vii) | Major Programs (list): | Housing Choice Voucher Program CFDA# 14.871 |
| 2006(viii) | Dollar Threshold: Type A\B Programs | Type A: >$300,000<br>Type B: >all others |
| 2006(ix) | Low Risk Auditee? | No |

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

None

## 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

### 2006-1 - Reasonable Rent

Condition
With regard to the administration of the Section 8 Housing Choice Voucher Program, the Authority did not determine that the rent to owner was reasonable.

Criteria
The March 2006 *U. S. Office of Management and Budget Circular A-133, Compliance Supplement* for the Section 8 Housing Choice Voucher Program identifies the following compliance requirements:

> The PHA's administrative plan must state the method used by the PHA to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA determination must consider unit attributes such as the location, quality, size, unit type, and age of unit, and any amenities, housing services, maintenance, and utilities provided by the owner.
>
> The PHA must determine that the rent to owner is reasonable at the time of the initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any
> increase in the rent to owner; and (b) at the HAP contract anniversary, if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent.

Cause
The Authority has a policy that calls for compliance with these requirements, but did not comply with its own policy statement and in doing so the regulations of the Department of Housing and Urban Development.

Effect
The Authority is in noncompliance with this requirement which could in turn contribute to the payment of rental assistance in excess of Housing Choice Voucher Program regulations.

Recommendations
We recommend the Authority follow the policy set forth in its Administrative Plan for the Section 8 Housing Choice Voucher Program to make a determination of reasonable rent as required by the Department of Housing and Urban Development.

***Corrective Action Plan***
The Authority has implemented procedures to insure that this policy is complied with.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS** (Continued)

**2006-2 Utility Allowance Schedule**

Condition
With regard to the administration of the Section 8 Housing Choice Voucher Program, the Authority did not maintain an up-to-date utility allowance schedule.

Criteria
The March 2006 U.S. Office of Management of Budget Circular A-133 *Compliance Supplement* for the Section 8 Housing Choice Voucher Program identifies the following compliance requirement:

> The PHA must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised.

Cause
The Authority has a policy that calls for compliance with these requirements but did not comply with its own policy statement and in doing so the regulations of the Department of Housing and Urban Development.

Effect
The Authority is in noncompliance with this requirement which could in turn contribute to the payment of incorrect rental assistance amounts.

Recommendation
We recommend the Authority follow the policy set forth in its Administrative Plan for the Section 8 Housing Choice Voucher Program to maintain an up-to-date utility allowance schedule.

***Corrective Action Plan***
The Authority has up-dated the utility allowance schedule in 2007.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS** (Continued)

## PRIOR YEAR AUDIT FINDINGS

### 2005-1 - Housing Quality Standards (HQS) Quality Control Re-Inspections

Current Status

The Authority has implemented a system of quality control inspections as of December 31, 2006. This finding is now resolved.

### 2005 -2 Annual Unaudited Financial Reporting to the Real Estate Assessment Center (REAC)

Current Status

The Authority failed to complete the required submission of its unaudited financial statements to REAC for 2006 within the required time frame.

***Auditee Response***
The Authority will comply with this requirement for all future submissions.

### 2004 -2 Reexamine Family Income and Composition

Current Status

The Authority provided documentation that action was taken to resolve one of the two cases identified in 2005. The Authority provided documentation on the other case and that case was resolved in 2006. This finding in now resolved.

Mary Taylor, CPA
Auditor of State

**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**
**NOVEMBER 15, 2007**

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