

Hocking Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Hocking Metropolitan Housing Authority
50 South High Street
Logan, Ohio 43138

We have reviewed the *Independent Auditors' Report* of the Hocking Metropolitan Housing Authority, Hocking County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2004 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 6, 2005

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HOCKING METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Managements Discussion and Analysis	3-10
Statement of Net Assets - Proprietary Fund Type - Enterprise Fund	11-12
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type - Enterprise Fund	13
Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	14-15
Notes to the Basic Financial Statements	16-26
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	27-28
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	29-30
PHA's Statement and Certification of Actual Modernization Cost:	
- Grant Number OH16P03250102	31
- Grant Number OH16P03250203	32
Schedule of Expenditures of Federal Awards	33
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	34-35
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	36-37
Schedule of Findings and Questioned Costs	38
Schedule of Prior Audit Findings	39



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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 Basic Financial Statements of Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These Basic 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 Basic 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 Basic Financial Statements referred to above present fairly, in all material respects, the financial position of Hocking Metropolitan Housing Authority, Ohio, as of December 31, 2004, 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 25, 2005, 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 Basic 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 Basic 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 Basic Financial Statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.
August 25, 2005

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004**

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 \$5,802,005 and \$5,697,231 for 2004 and 2003, respectively. The Authority-wide statements reflect an increase in total net assets of \$104,774 (or 1.8%), during 2004. This decrease is reflective of the year’s activities.
- The business-type activity revenue increased by \$608,479 (or 31.8%) during 2004, and was \$1,913,827 and \$2,522,306 for 2003 and 2004, respectively.
- The total expenses of all Authority programs increased by \$166,336 (or 7.4%). Total expenses were \$2,249,547 and \$2,415,883 for 2003 and 2004, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004**

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, 2004**

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 programs 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

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004**

Unaudited

holders. HMHA also provides lead inspection and clearance services to other PHA's and 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

	2004	Restated 2003
Current and Other Assets	\$ 760,275	\$ 588,882
Capital Assets	5,797,181	5,713,827
TOTAL ASSETS	6,557,456	6,302,709
Other Liabilities	500,363	328,978
Long-term Liabilities	255,088	276,460
TOTAL LIABILITIES	755,451	605,438
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,395,698	5,285,110
Unrestricted	406,307	412,161
TOTAL NET ASSETS	\$ 5,802,005	\$ 5,697,271

The 2003 Financials were restated to eliminate inter-program due To/From.

For more detailed information see the Statement of Net Assets.

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004**

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.

	2004	2003
REVENUES		
Tenant Revenue - Rents and Other	\$ 404,959	\$ 386,696
Operating Subsidies and Grants	1,667,475	1,490,576
Capital Grants	418,651	-
Investment Income	10,000	8,406
Other Revenue	21,221	28,149
TOTAL REVENUE	2,522,306	1,913,827
EXPENSES		
Administrative	670,450	\$ 399,309
Tenant Services	4,241	3,689
Utilities	103,843	111,424
Maintenance	288,585	330,980
General & Interest	70,888	58,469
Housing Assistance Payments	915,603	983,677
Depreciation	362,273	361,999
TOTAL EXPENSES	2,415,883	2,249,547
NET INCREASE (DECREASE)	\$ 106,423	\$ (335,720)

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

Tenant revenue and operating subsidies decreased modestly. The capital grant activity increase during 2004, see Capital Asset discussion. 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, 2004**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$5,797,181 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$83,354 from the end of last year.

TABLE 3

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

	Business-type Activities	
	2004	2003
Land and land rights	\$ 991,567	\$ 616,300
Buildings	8,230,385	8,172,443
Equipment	102,109	99,587
Leasehold Improvements	1,444,529	1,444,529
Construction in Progress	84,375	74,479
Total Capital Assets	10,852,965	10,407,338
Accumulated Depreciation	(5,055,784)	(4,693,511)
Total	\$ 5,797,181	\$ 5,713,827

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004**

Unaudited

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Beginning Balance	\$ 5,713,827
Additions-Capital Funds	418,651
Additions-Operations	26,976
Depreciation	(362,273)
Ending Balance	\$ 5,797,181

Current year Additions are summarized as follows:

Purchase of Land	\$ 375,267
Building Improvements from Capital Grant Funds	57,942
Equipment	2,522
Construction In Progress - Single Family Home	9,896
Total 2004 Additions	\$ 445,627

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, 2004**

Unaudited

Condensed Statement of Changes in Debt Outstanding

Beginning Balance - December 31, 2003	\$ 428,717
Current Year Principal Payments	<u>(27,234)</u>
Beginning Balance - December 31, 2004	<u><u>\$ 401,483</u></u>

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
December 31, 2004

ASSETS

Current assets

Cash and cash equivalents	\$250,631
Investments	383,127
Receivables, net	101,860
Inventories, net	16,041
Prepaid expenses and other assets	8,616
Total current assets	<u>760,275</u>

Noncurrent assets

Capital assets:	
Land	991,567
Building and equipment	9,777,023
Construction in Progress	84,375
Less accumulated depreciation	<u>(5,055,784)</u>
Total noncurrent assets	<u>5,797,181</u>
Total assets	<u><u>\$6,557,456</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$25,136
Accrued liabilities	38,414
Intergovernmental due to	140,909
Tenant security deposits	25,968
Deferred revenue	111,996
Bonds, notes, and loans payable	<u>157,940</u>
Total current liabilities	<u>500,363</u>

Noncurrent liabilities

Bonds, notes, and loans payable	243,543
Accrued compensated absences non-current	<u>11,545</u>
Total noncurrent liabilities	<u>255,088</u>
Total liabilities	<u><u>\$755,451</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

Hocking Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
December 31, 2004

NET ASSETS

Invested in capital assets, net of related debt	\$5,395,698
Unrestricted net assets	<u>406,307</u>
Total net assets	<u><u>\$5,802,005</u></u>

The accompanying notes to the Basic 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
For the Year Ended December 31, 2004

OPERATING REVENUES

Tenant Revenue	\$404,959
Government operating grants	1,667,475
Other revenue	21,221
Total operating revenues	<u>2,093,655</u>

OPERATING EXPENSES

Administrative	670,450
Tenant services	4,241
Utilities	103,843
Maintenance	288,585
General	60,389
Housing assistance payment	915,603
Depreciation	362,273
Total operating expenses	<u>2,405,384</u>
Operating income (loss)	<u>(311,729)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	10,000
Interest expense	(10,499)
Total nonoperating revenues (expenses)	<u>(499)</u>
Income (loss) before contributions and transfers	(312,228)
Capital grants	418,651
Change in net assets	106,423
Total net assets - beginning	5,697,271
Prior Period Adjustment	(1,689)
Total net assets - ending	<u><u>\$5,802,005</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Hocking Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$1,777,144
Tenant revenue received	397,881
Other revenue received	21,221
General and administrative expenses paid	(1,061,803)
Housing assistance payments	(915,603)

Net cash provided (used) by operating activities **218,840**

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	10,000
Transfer to Investment Accounts	(62,380)

Net cash provided (used) by investing activities **(52,380)**

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	418,651
Debt principal payment	(27,234)
Interest paid on Debt	(10,499)
Property and equipment purchased	(445,627)

Net cash provided (used) by capital and related activities **(64,709)**

Net increase (decrease) in cash	101,751
Cash and cash equivalents - Beginning of year	<u>148,880</u>

Cash and cash equivalents - End of year **\$250,631**

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

**Hocking Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2004**

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$311,729)
Activities	
- Depreciation	362,273
- (Increases) Decreases in Accounts Receivable	(11,543)
- (Increases) Decreases in Prepaid Assets	2,821
- (Increases) Decreases in Inventory	(229)
- Increases (Decreases) in Accounts Payable	(4,260)
- Increases (Decreases) in Accounts Payable - Intergovernmental	119,000
- Increases (Decreases) in Accrued Expenses Payable	(7,125)
- Increases (Decreases) in Deferred Revenue	70,369
- Increases (Decreases) in Other Current Liabilities	(1,277)
- Increases (Decreases) in Accrued Compensated Absences	1,761
- Increases (Decreases) in Tenant Security Deposits	(1,221)
	(1,221)
Net cash provided by operating activities	\$218,840

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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.

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 Basic 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.

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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes net assets, and a statement of cash flows.

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 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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of Programs

The following are the various programs which are included in the single enterprise fund:

A. 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.

B. 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.

C. 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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. 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 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.

E. Other (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.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2004 totaled \$10,000.

Capital Assets

Capital 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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

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

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 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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	\$282,161	\$282,161	\$0	\$0	\$250,631
Investments	383,127	383,127	0	0	383,127
Total Deposits	\$665,288	\$665,288	\$0	\$0	\$633,758

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

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.

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 3: 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, 2004 the Authority maintains 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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 4: CAPITAL ASSETS

The following is a summary:

Land	\$991,567
Buildings	8,230,385
Furniture, Machinery and Equipment	102,109
Leasehold Improvement	1,444,529
Construction in Progress	84,375
Total Capital assets	10,852,965
Accumulated Depreciation	(5,055,784)
Net Capital assets	\$5,797,181

The following is a summary of changes:

	Balance 12/31/03	Adjust.	Additions	Deletion	Balance 12/31/04
Land	\$616,300	\$0	\$375,267	\$0	\$991,567
Buildings	8,172,443	0	57,942	0	8,230,385
Furnt, Mach. and Equip.	99,587	0	2,522	0	102,109
Leasehold Improvement	1,444,529	0	0	0	1,444,529
Construction in Progress	74,479	0	9,896	0	84,375
Total Capital assets	\$10,363,051	\$0	\$445,627	\$0	\$10,852,965

The depreciation expense for the year ended December 31, 2004 was \$362,273.

**NOTE 5: 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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

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, 2004, 2003 and 2002 were \$54,606, \$40,317, and \$38,684, respectively. The full amount has been contributed for 2002 and 2001. Ninety-three percent has been contributed for 2004, with the remainder being reported as a liability with the enterprise fund.

**NOTE 6: 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 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 2004 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$20,150. 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, 2002. 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 2002 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 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

HOCKING METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (CONTINUED)

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

NOTE 7: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment in total of \$1,689 was necessary to properly reconcile the beginning balance 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 2003 Administration Fee earned \$1,689

NOTE 8: 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 9: LONG-TERM DEBT

Mortgage Payable

Hocking Metropolitan Housing Authority has 4 outstanding mortgages payable and a construction loan as of December 31, 2004. These loans were obtained to purchase of property by the Board Funds.

	<u>ORIGINAL LOAN BALANCE</u>	<u>INTEREST RATE</u>	<u>LIFE OF LOAN</u>	<u>12/31/04 BALANCE</u>
BANK ONE:				
Loan Obligation 18	\$140,000	2.7625%	15 Yrs	\$127,170
Loan Obligation 42	\$150,000	2.7625%	1 Yr	140,000
Loan Obligation 75	\$55,000	6.1800%	5 Yr	44,898
Loan Obligation 91	\$61,000	6.1800%	5 Yr	49,390
CITY OF LOGAN	\$55,000	0%	15 Yrs	40,025
TOTAL OUTSTANDING DEBT				<u>401,483</u>
LESS: CURRENT PORTION				<u>(157,940)</u>
TOTAL LONG TERM DEBT				<u><u>\$243,543</u></u>

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 9: LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

DESCRIPTION	BALANCE 12/31/03	ISSUED	RETIRED	BALANCE 12/31/04
Loan from Bank One	\$134,888	\$0	\$7,718	\$127,170
City of Logan - O'Neil	43,694	0	3,669	40,025
Orchard Street Loan	47,659	0	2,761	44,898
4 th Street Loan	52,476	0	3,086	49,390
Construction Loan	150,000	0	10,000	140,000
TOTAL DEBT	<u>\$428,717</u>	<u>\$0</u>	<u>\$27,234</u>	<u>\$401,483</u>

Debt maturities for the next five years are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2005	\$157,940	\$12,928	\$170,868
2006	57,374	6,161	63,535
2007	15,880	5,492	21,372
2008	16,356	5,016	21,372
2009	16,854	4,518	21,372
Later Years	137,079	16,159	153,238
Total	<u>\$401,483</u>	<u>\$50,274</u>	<u>\$451,757</u>

NOTE 10: RELATED PARTY TRANSACTION

The Authority as entered into a contract with the Hocking County Department of Job and Family Services (JFS) for the operation of the Help Me Grow Program. The program is funded by the County JFS from its TANF, Medicaid Part C and State of Ohio General Revenue Funds. The program is a social service program targeted to coordinate services for families with at risk children under the age of 3. Hocking Metropolitan Housing Authority Executive Director is married to the Assistant Director of the Hocking County Department of Job and Family Service. The total revenue earned for the fiscal year was \$168,101.

NOTE 11: SUBSEQUENT EVENTS

Hocking Metropolitan Housing Authority in partnership with Frontier Community Services has obtained mixed financing for a development of a 72 unit apartment building. The project has been awarded Low Income Tax Credits, and will be financed from the Ohio Housing Trust Funds, Federal Home Bank Affordable House Funds and private bank financing. The project is expected to begin construction in 2005 with operation to begin in 2006.

Hocking Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Special Educational Grant	TANF	Total
111	Cash - Unrestricted	\$1,688	\$11,945	\$115,270	\$0	\$83,155	\$0	\$0	\$212,058
115	Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
114	Cash - Tenant Security Deposits	\$3,227	\$35,346	\$0	\$0	\$0	\$0	\$0	\$38,573
100	Total Cash	\$4,915	\$47,291	\$115,270	\$0	\$83,155	\$0	\$0	\$250,631
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$5,578	\$0	\$0	\$0	\$5,578
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$22,481	\$0	\$0	\$22,481
125	Accounts Receivable - Miscellaneous	\$66,816	\$1,057	\$0	\$0	\$48	\$0	\$0	\$67,921
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$10,403	\$0	\$0	\$0	\$0	\$0	\$10,403
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$4,523)	\$0	\$0	\$0	\$0	\$0	(\$4,523)
120	Total Receivables, net of allowances for doubtful accounts	\$66,816	\$6,937	\$0	\$5,578	\$22,529	\$0	\$0	\$101,860
131	Investments - Unrestricted	\$0	\$293,127	\$55,000	\$0	\$35,000	\$0	\$0	\$383,127
142	Prepaid Expenses and Other Assets	\$2,328	\$6,288	\$0	\$0	\$0	\$0	\$0	\$8,616
143	Inventories	\$0	\$16,855	\$976	\$0	\$0	\$0	\$0	\$17,831
143.1	Allowance for Obsolete Inventories	\$0	(\$1,690)	(\$100)	\$0	\$0	\$0	\$0	(\$1,790)
144	Interprogram Due From	\$2,000	\$55,308	\$0	\$0	\$1,541	\$0	\$0	\$58,849
150	Total Current Assets	\$76,059	\$424,116	\$171,146	\$5,578	\$142,225	\$0	\$0	\$819,124
161	Land	\$28,048	\$588,252	\$0	\$375,267	\$0	\$0	\$0	\$991,567
162	Buildings	\$344,131	\$7,821,101	\$0	\$65,153	\$0	\$0	\$0	\$8,230,385
163	Furniture, Equipment & Machinery - Dwellings	\$6,618	\$70,145	\$0	\$0	\$0	\$0	\$0	\$76,763
164	Furniture, Equipment & Machinery - Administration	\$0	\$13,297	\$12,049	\$0	\$0	\$0	\$0	\$25,346
165	Leasehold Improvements	\$0	\$1,444,529	\$0	\$0	\$0	\$0	\$0	\$1,444,529
166	Accumulated Depreciation	(\$78,182)	(\$4,962,785)	(\$12,049)	(\$2,768)	\$0	\$0	\$0	(\$5,055,784)
167	Construction In Progress	\$84,375	\$0	\$0	\$0	\$0	\$0	\$0	\$84,375
160	Total Fixed Assets, Net of Accumulated Depreciation	\$384,990	\$4,974,539	\$0	\$437,652	\$0	\$0	\$0	\$5,797,181
180	Total Non-Current Assets	\$384,990	\$4,974,539	\$0	\$437,652	\$0	\$0	\$0	\$5,797,181

Hocking Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Special Educational Grant	TANF	Total
190	Total Assets	\$461,049	\$5,398,655	\$171,146	\$443,230	\$142,225	\$0	\$0	\$6,616,305
312	Accounts Payable <= 90 Days	\$2,564	\$17,601	\$3,195	\$0	\$1,776	\$0	\$0	\$25,136
321	Accrued Wage/Payroll Taxes Payable	\$0	\$12,818	\$0	\$0	\$6,459	\$0	\$0	\$19,277
322	Accrued Compensated Absences - Current Portion	\$643	\$9,652	\$4,395	\$0	\$4,447	\$0	\$0	\$19,137
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$118,997	\$0	\$0	\$0	\$0	\$118,997
333	Accounts Payable - Other Government	\$0	\$21,912	\$0	\$0	\$0	\$0	\$0	\$21,912
341	Tenant Security Deposits	\$3,227	\$22,741	\$0	\$0	\$0	\$0	\$0	\$25,968
342	Deferred Revenues	\$2,335	\$0	\$0	\$0	\$109,661	\$0	\$0	\$111,996
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$157,940	\$0	\$0	\$0	\$0	\$0	\$0	\$157,940
347	Interprogram Due To	\$6,968	\$0	\$27,491	\$5,578	\$18,812	\$0	\$0	\$58,849
310	Total Current Liabilities	\$173,677	\$84,724	\$154,078	\$5,578	\$141,155	\$0	\$0	\$559,212
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$243,543	\$0	\$0	\$0	\$0	\$0	\$0	\$243,543
354	Accrued Compensated Absences - Non Current	\$578	\$6,311	\$4,094	\$0	\$562	\$0	\$0	\$11,545
350	Total Noncurrent Liabilities	\$244,121	\$6,311	\$4,094	\$0	\$562	\$0	\$0	\$255,088
300	Total Liabilities	\$417,798	\$91,035	\$158,172	\$5,578	\$141,717	\$0	\$0	\$814,300
508.1	Invested in Capital Assets, Net of Related Debt	(\$16,493)	\$4,974,539	\$0	\$437,652	\$0	\$0	\$0	\$5,395,698
512.1	Unrestricted Net Assets	\$59,744	\$333,081	\$12,974	\$0	\$508	\$0	\$0	\$406,307
513	Total Equity/Net Assets	\$43,251	\$5,307,620	\$12,974	\$437,652	\$508	\$0	\$0	\$5,802,005
600	Total Liabilities and Equity/Net Assets	\$461,049	\$5,398,655	\$171,146	\$443,230	\$142,225	\$0	\$0	\$6,616,305

Hocking Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Special Educational Grant	TANF	Total
703	Net Tenant Rental Revenue	\$58,676	\$335,484	\$0	\$0	\$0	\$0	\$0	\$394,160
704	Tenant Revenue - Other	\$230	\$10,569	\$0	\$0	\$0	\$0	\$0	\$10,799
705	Total Tenant Revenue	\$58,906	\$346,053	\$0	\$0	\$0	\$0	\$0	\$404,959
706	HUD PHA Operating Grants	\$0	\$307,956	\$1,070,209	\$32,577	\$0	\$0	\$0	\$1,410,742
706.1	Capital Grants	\$0	\$0	\$0	\$418,651	\$0	\$0	\$0	\$418,651
708	Other Government Grants	\$0	\$0	\$0	\$0	\$23,583	\$65,049	\$168,101	\$256,733
711	Investment Income - Unrestricted	\$1,398	\$7,421	\$673	\$0	\$508	\$0	\$0	\$10,000
715	Other Revenue	\$21,196	\$0	\$25	\$0	\$0	\$0	\$0	\$21,221
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$81,500	\$661,430	\$1,070,907	\$451,228	\$24,091	\$65,049	\$168,101	\$2,522,306
911	Administrative Salaries	\$18,431	\$101,579	\$73,904	\$17,072	\$14,320	\$35,803	\$93,087	\$354,196
912	Auditing Fees	\$0	\$1,990	\$3,710	\$0	\$0	\$0	\$0	\$5,700
914	Compensated Absences	\$388	(\$1,510)	(\$427)	\$0	\$388	\$0	\$0	(\$1,161)
915	Employee Benefit Contributions - Administrative	\$4,657	\$32,428	\$30,000	\$8,100	\$4,632	\$11,580	\$30,108	\$121,505
916	Other Operating - Administrative	\$16,723	\$51,007	\$55,665	\$0	\$4,243	\$17,666	\$44,906	\$190,210
924	Tenant Services - Other	\$0	\$4,241	\$0	\$0	\$0	\$0	\$0	\$4,241
931	Water	\$2,090	\$30,465	\$0	\$0	\$0	\$0	\$0	\$32,555
932	Electricity	\$3,128	\$56,228	\$0	\$0	\$0	\$0	\$0	\$59,356
933	Gas	\$3,908	\$6,584	\$0	\$0	\$0	\$0	\$0	\$10,492
938	Other Utilities Expense	\$0	\$1,440	\$0	\$0	\$0	\$0	\$0	\$1,440
941	Ordinary Maintenance and Operations - Labor	\$0	\$97,231	\$0	\$0	\$0	\$0	\$0	\$97,231
942	Ordinary Maintenance and Operations - Materials and Other	\$3,046	\$50,487	\$0	\$0	\$0	\$0	\$0	\$53,533
943	Ordinary Maintenance and Operations - Contract Costs	\$5,612	\$88,878	\$4,849	\$7,405	\$0	\$0	\$0	\$106,744
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$31,077	\$0	\$0	\$0	\$0	\$0	\$31,077
961	Insurance Premiums	\$2,336	\$19,006	\$0	\$0	\$0	\$0	\$0	\$21,342

Hocking Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Special Educational Grant	TANF	Total
963	Payments in lieu of taxes	\$0	\$21,912	\$0	\$0	\$0	\$0	\$0	\$21,912
964	Bad Debt - Tenant Rents	\$120	\$17,015	\$0	\$0	\$0	\$0	\$0	\$17,135
967	Interest Expense	\$10,499	\$0	\$0	\$0	\$0	\$0	\$0	\$10,499
969	Total Operating Expenses	\$70,938	\$610,058	\$167,701	\$32,577	\$23,583	\$65,049	\$168,101	\$1,138,007
970	Excess Operating Revenue over Operating Expenses	\$10,562	\$51,372	\$903,206	\$418,651	\$508	\$0	\$0	\$1,384,299
973	Housing Assistance Payments	\$0	\$0	\$915,603	\$0	\$0	\$0	\$0	\$915,603
974	Depreciation Expense	\$12,777	\$347,916	\$0	\$1,580	\$0	\$0	\$0	\$362,273
900	Total Expenses	\$83,715	\$957,974	\$1,083,304	\$34,157	\$23,583	\$65,049	\$168,101	\$2,415,883
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$2,215)	(\$296,544)	(\$12,397)	\$417,071	\$508	\$0	\$0	\$106,423
1103	Beginning Equity	\$45,466	\$5,604,164	\$27,060	\$20,581	\$0	\$0	\$0	\$5,697,271
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	(\$1,689)	\$0	\$0	\$0	\$0	(\$1,689)
	Ending Equity	\$43,251	\$5,307,620	\$12,974	\$437,652	\$508	\$0	\$0	\$5,802,005
1102	Debt Principal Payments - Enterprise Funds	\$27,234	\$0	\$0	\$0	\$0	\$0	\$0	\$27,234
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$1,050,559	\$0	\$0	\$0	\$0	\$1,050,559
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$126,674	\$0	\$0	\$0	\$0	\$126,674
1116	Total Annual Contributions Available	\$0	\$0	\$1,177,233	\$0	\$0	\$0	\$0	\$1,177,233
1120	Unit Months Available	180	1,956	3,672	0	0	0	0	5,808
1121	Number of Unit Months Leased	180	1,956	3,421	0	0	0	0	5,557

Hocking Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Number OH16P03250102

1. The Program Costs are as follows:

Funds Approved	\$264,574
Funds Expended	<u>264,574</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$264,574
Funds Expended	<u>264,574</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 16, 2004.
4. The final costs on the certification agree to the Authority's records.

Hocking Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Number OH16P03250203

5. The Program Costs are as follows:

Funds Approved	\$43,384
Funds Expended	<u>43,384</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$43,384
Funds Expended	<u>43,384</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

6. All costs have been paid and there are no outstanding obligations.
7. The Final Financial Status Report was signed and filed on December 11, 2004.
8. The final costs on the certification agree to the Authority's records.

Hocking Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended December 31, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Low Rent Public Housing	14.850	\$307,956
Housing Choice Vouchers	14.871	1,070,209
Public Housing Capital Fund Program	14.872	<u>451,228</u>
Total U.S. Department of Housing and Urban Development		<u>1,829,393</u>
U.S. Department of Health and Human Services		
Pass Through Hocking County Department of Job and Family Services		
Temporary Assistance for Needy Families	93.558	<u>168,101</u>
Total U.S. Department of Health and Human Services		<u>168,101</u>
U.S. Department of Education		
Pass Through Hocking County		
Special Education – Grant for Infants and Families with Disabilities	84.181	<u>65,049</u>
Total U.S. Department of Education		<u>65,049</u>
TOTAL AWARDS		<u><u>\$2,062,543</u></u>



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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 Basic Financial Statements of the Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated August 25, 2005. 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 Basic 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 Basic 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.



Salvatore Consiglio, CPA, Inc.

August 25, 2005



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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, 2004. 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.

In my opinion, 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, 2004.

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.



Salvatore Consiglio, CPA, Inc.

August 25, 2005

Hocking Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS
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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	Unqualified
Are there any reportable findings under § .510?	No
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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended December 31, 2004.

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended December 31, 2004.

Hocking Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 December 31, 2004

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
FED-2003-1	Third Party Verification	Yes	Finding fully Corrected. No errors noted during audit period.
FED-2003-2	Annual recertification not performed timely	Yes	Finding fully Corrected. No errors noted during audit period.
FED-2003-3	Supporting documentation (i.e. declaration of Citizenship & Birth Certificate not in files	Yes	Finding fully Corrected. No errors noted during audit period.
FED-2003-4	Signed for 9886 not in file	Yes	Finding fully Corrected. No errors noted during audit period.



**Auditor of State
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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 10, 2005**