

Hocking Metropolitan Housing Authority

Financial Statements

For the Year Ended December 31, 2005





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Hocking Metropolitan Housing Authority, Hocking County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2005 through December 31, 2005. 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

November 8, 2006

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HOCKING METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2005

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## Independent Auditors' Report

Board of Directors  
Hocking Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hocking Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hocking Metropolitan Housing Authority, Ohio, as of December 31, 2005, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 1, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results 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 accounting principles generally accepted in the United State of America. 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 and 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 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.



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Salvatore Consiglio, CPA, Inc.  
September 1, 2006



**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**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 \$5,516,984 and \$5,802,005 for 2005 and 2004, respectively. The Authority-wide statements reflect a decrease in total net assets of \$285,021 (or 4.91%), during 2005. This decrease is reflective of the year’s activities.
- The business-type activity revenue decreased by \$412,764 (or 16.36%) during 2005, and was \$2,109,542 and \$2,522,306 for 2005 and 2004, respectively.
- The total expenses of all Authority programs decreased by \$11,014 (or .46%). Total expenses were \$2,404,869 and \$2,415,883 for 2005 and 2004, respectively.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

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

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**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, 2005**

**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.

**The Authority's Programs**

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.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**Unaudited**

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 completed the sale of a home developed under the Youth Build Program. All construction loans were paid off during this reporting period. HMHA retains a receivable from Hocking Housing Management, Inc. This was for funding advanced for the American Dream program operating by HHM. Hocking Metropolitan Housing is accruing interest on this account.

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.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**Unaudited**

TABLE 1  
STATEMENT OF NET ASSETS

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 664,315	\$ 760,275
Capital Assets	<u>5,359,046</u>	<u>5,797,181</u>
Total Assets	<u>\$ 6,023,361</u>	<u>\$ 6,557,456</u>
Current Liabilities	\$ 257,904	\$ 500,363
Long-Term Liabilities	<u>248,473</u>	<u>255,088</u>
Total Liabilities	<u>506,377</u>	<u>755,451</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	5,103,826	5,395,698
Unrestricted Net Assets	<u>413,158</u>	<u>406,307</u>
Total Net Assets	<u>5,516,984</u>	<u>5,802,005</u>
Total Liabilities and Net Assets	<u>\$ 6,023,361</u>	<u>\$ 6,557,456</u>

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

During 2005, current and other assets decreased by \$95,960, and current liabilities decreased by \$242,459. The current and other assets, primarily cash and investments, decreased because of the results from operation and also due to payoff of construction loan.

Capital assets also changed, decreasing from \$5,797,181 to \$5,359,046. The \$438,135 decrease may be contributed primarily to a combination of net acquisitions/disposal (\$75,524), less current year depreciation and amortization (\$362,611). For more detail see "Capital Assets" below.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**Unaudited**

**TABLE 2**

**CHANGE OF NET ASSETS**

Table 2 presents details on the change in Net Assets

	<u>Unrestricted</u>	<u>Investment in Fixed Assets</u>
Beginning Balance - December 31, 2004	\$ 406,307	\$ 5,395,698
Results of Operation	(295,327)	-
Adjustments:		
Current year Depreciation Expense (1)	362,611	(362,611)
Capital Expenditure (2)	(22,800)	22,800
Current year Debt Proceeds Net of Retirement	(146,263)	146,263
Prior Period Adjustment	10,306	-
Capital Assets Disposed	<u>98,324</u>	<u>(98,324)</u>
Ending Balance - December 31, 2005	<u>\$ 413,158</u>	<u>\$ 5,103,826</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

While the results of operations are 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.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**Unaudited**

**TABLE 3**

**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.

	<u>2005</u>	<u>2004</u>
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 407,665	\$ 404,959
Operating Subsidies	1,656,487	1,667,475
Capital Grants	-	418,651
Investment Income	10,760	10,000
Other Revenues	34,630	21,221
<b>Total Revenues</b>	<b><u>2,109,542</u></b>	<b><u>2,522,306</u></b>
<b><u>Expenses</u></b>		
Administrative	622,518	670,450
Tenant Services	5,441	4,241
Utilities	112,966	103,843
Maintenance	375,932	288,585
General and Interest Expenses	74,975	70,888
Housing Assistance Payments	850,426	915,603
Depreciation	362,611	362,273
<b>Total Expenses</b>	<b><u>2,404,869</u></b>	<b><u>2,415,883</u></b>
<b>Net Increases (Decreases)</b>	<b><u>\$ (295,327)</u></b>	<b><u>\$ 106,423</u></b>

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

Tenant revenue increased slightly and operating subsidies decreased modestly. The capitals grant activity decrease during 2005 because the Authority did not have any activity that was funded with capital fund grants during the year. Most expenses decreased modestly, except for utilities and maintenance expenses which increased due to inflation.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

As of year-end, the Authority had \$5,359,046 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$438,135 from the end of last year.

**TABLE 4**

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

	<u>2005</u>	<u>2004</u>
Land and Land Rights	\$ 987,619	\$ 991,567
Buildings	8,230,385	8,230,385
Equipment	114,909	102,109
Leasehold Improvements	1,444,529	1,444,529
Construction in Progress	-	84,375
Accumulated Depreciation	<u>(5,418,396)</u>	<u>(5,055,784)</u>
Total	<u>\$ 5,359,046</u>	<u>\$ 5,797,181</u>

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5**

**CHANGE IN CAPITAL ASSETS**

Beginning Balance - December 31, 2004	\$ 5,797,181
Current year Additions	22,800
Current year Disposal	(98,324)
Current year Depreciation Expense	<u>(362,611)</u>
Beginning Balance - December 31, 2005	<u>\$ 5,359,046</u>

Current year Additions are summarized as follows:

Purchase land	\$ 10,000
Satellite TV System	<u>12,800</u>
Total 2004 Additions	<u>\$ 22,800</u>



**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**Unaudited**

This year's major additions are:

Construction in Progress (O'Neill Allen) - HMHA is provided material, land and construction management in partnership with Hocking Athens Vinton Community Action Agency for the construction of one single family home to be built by participants of the Youth Build Program. The House was completed and sold in April 2005.

HMHA purchase a 13-acre tract using Capital Grant Funds. The land will be used in three separate projects.

Project 1 is a mixed financed project consisting of 72 apartments. HMHA has procured a development partner, Frontier Community Services, to develop this project. This project has been awarded Low Income Housing Tax Credits, Ohio Housing Trust Funds, Federal Home Bank Affordable House Funds and private bank financing. The project will have HUD CFFP and a Mixed Finance ACC. Construction for the Project as began in 2005 with operation to begin in 2006.

The general partnership, Pine Ridge Housing Partners, Inc. was organized in 2005. This will be the fiscal agent for Pine Ridge Housing Partners, LLC. The apartment community is on schedule to begin operation September 2006.

Project 2 is the development of a new administration building. HMHA plans on developing this facility in 2007 with Capital Grant Funds.

Project 3 will be the development of a new day care center. This project will be undertaken after both project 1 and 2 have been completed.

**Debt Administration**

HMHA has secured tax-exempt debt to finance its non-federal business activities. HMHA has two types of debt in place. Long-term debt, which is self-amortized over a fixed term, is used for financing income-generating apartments. The 15 open market apartments are used to secure this long-term debt. The other debt is a Capital lease, which is used to finance the acquisition of a Satellite TV System. Income from business operation is sufficient to meet debt expenses.

**HOCKING METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2005**

**Unaudited**

Beginning Balance - December 31, 2004	\$ 401,483
Current Year Loans	12,800
Current Year Loan Retirements	<u>(159,063)</u>
Beginning Balance - December 31, 2005	\$ <u><u>255,220</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.

**Hocking Metropolitan Housing Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2005**

***ASSETS***

**Current assets**

Cash and cash equivalents	\$198,796
Investments	344,421
Receivables, net	98,536
Inventories, net	11,155
Prepaid expenses and other assets	11,407
<b>Total current assets</b>	<b><u>664,315</u></b>

**Noncurrent assets**

Capital assets:	
Land	987,619
Building and equipment	9,789,823
Less accumulated depreciation	<u>(5,418,396)</u>
<b>Total noncurrent assets</b>	<b><u>5,359,046</u></b>
<b>Total assets</b>	<b><u><u>\$6,023,361</u></u></b>

***LIABILITIES***

**Current liabilities**

Accounts payable	\$24,340
Accrued liabilities	41,838
Intergovernmental payables	22,270
Tenant security deposits	26,902
Deferred revenue	122,104
Bonds, notes, and loans payable	20,450
<b>Total current liabilities</b>	<b><u>257,904</u></b>

**Noncurrent liabilities**

Bonds, notes, and loans payable	234,770
Accrued compensated absences non-current	13,703
<b>Total noncurrent liabilities</b>	<b><u>248,473</u></b>
<b>Total liabilities</b>	<b><u><u>\$506,377</u></u></b>

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

**Hocking Metropolitan Housing Authority**  
**Statement of Net Assets (Continued)**  
**Proprietary Funds**  
**December 31, 2005**

***NET ASSETS***

Invested in capital assets, net of related debt	\$5,103,826
Unrestricted net assets	413,158
<b>Total net assets</b>	<b><u><u>\$5,516,984</u></u></b>

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, 2005**

***OPERATING REVENUES***

Tenant Revenue	\$407,665
Government operating grants	1,656,487
Other revenue	26,559
<b>Total operating revenues</b>	<b><u>2,090,711</u></b>

***OPERATING EXPENSES***

Administrative	622,518
Tenant services	5,441
Utilities	112,966
Maintenance	375,932
General	65,748
Housing assistance payment	850,426
Depreciation	362,611
<b>Total operating expenses</b>	<b><u>2,395,642</u></b>
<b>Operating income (loss)</b>	<b><u>(304,931)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	10,760
Gain on Sale of Capital Assets	8,071
Interest expense	(9,227)
<b>Total nonoperating revenues (expenses)</b>	<b><u>9,604</u></b>

Change in net assets	(295,327)
Total net assets - beginning	5,802,005
Prior Period Adjustment	10,306
<b>Total net assets - ending</b>	<b><u><u>\$5,516,984</u></u></b>

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, 2005**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating grants received	\$1,633,731
Tenant revenue received	411,298
Other revenue received	48,349
General and administrative expenses paid	(1,272,358)
Housing assistance payments	<u>(850,426)</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>(29,406)</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	10,760
Transfer of cash from Investments	<u>33,728</u>
<b>Net cash provided (used) by investing activities</b>	<b><u>44,488</u></b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>	
Proceeds from sale of capital asset	111,373
Proceeds from debt issued	12,800
Debt principal payment	(159,063)
Interest paid on Debt	(9,227)
Property and equipment purchased	<u>(22,800)</u>
<b>Net cash provided (used) by capital and related activities</b>	<b><u>(66,917)</u></b>
Net increase (decrease) in cash	(51,835)
Cash and cash equivalents - Beginning of year	<u>250,631</u>
<b>Cash and cash equivalents - End of year</b>	<b><u>\$198,796</u></b>

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, 2005**

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

Net Operating Income (Loss)	(\$304,931)
Activities	
- Depreciation	362,611
- (Increases) Decreases in Accounts Receivable	3,324
- (Increases) Decreases in Prepaid Assets	(2,791)
- (Increases) Decreases in Inventory	4,886
- Increases (Decreases) in Accounts Payable	(796)
- Increases (Decreases) in Accounts Payable - Intergovernmental	(108,333)
- Increases (Decreases) in Accrued Expenses Payable	2,729
- Increases (Decreases) in Deferred Revenue	10,108
- Increases (Decreases) in Other Current Liabilities	265
- Increases (Decreases) in Accrued Compensated Absences	2,588
- Increases (Decreases) in Tenant Security Deposits	934
	934
<b>Net cash provided by operating activities</b>	<b>(\$29,406)</b>

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, 2005

**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, 2005  
(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  
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(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  
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(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, 2005 totaled \$10,760.

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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  
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(CONTINUED)

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

**Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

**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: DEPOSITS AND INVESTMENTS**

Deposits – State statutes classify monies held by the Authority into three categories.

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

Government Accounting Standards Board Statement No. 3 (GASB #3) has established custodial credit risk categories for deposits and investments as follows:

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

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

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution’s trust department or agent, but not in the Authority’s name).

The carrying amount of the Authority’s deposits was \$198,795 at December 31, 2005. The corresponding bank balance was \$248,744. Of the bank balance, \$162,840 was covered by federal deposit insurance (FDIC) with the remaining balance covered by collateralization held by the bank in the Authority’s name as required by HUD. The custodial credit risk for the Authority deposit is Category 1.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

*Interest Rate Risk* – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 2 years.

*Credit Risk* – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

*Concentration of Credit Risk* – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority practice to do business with more than one depository.

The carrying amount of the Authority's investment was \$344,421 at December 31, 2005 with the same corresponding bank balance. The investments are held in certificate of deposits, money market accounts and high yield savings accounts.

**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, 2005 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, 2005  
(CONTINUED)

**NOTE 4: CAPITAL ASSETS**

	<b>Balance 12/31/04</b>	<b>Adjust.</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 12/31/05</b>
<b>Capital Assets Not Depreciated:</b>					
Land	\$991,567	\$0	\$10,000	\$13,948	\$987,619
Construction in Progress	84,375	(84,375)	0	0	0
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,075,942</b>	<b>(84,375)</b>	<b>10,000</b>	<b>13,948</b>	<b>987,619</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	8,230,385	84,375	0	84,375	8,230,385
Furnt, Mach. & Equip. - Admin	102,109	0	12,800	0	114,909
Leasehold Improvement	1,444,529	0	0	0	1,444,529
Total Capital Assets Being Depreciated	9,777,023	84,375	12,800	84,375	9,789,823
Accumulated Depreciation	(5,055,784)	0	(362,611)	0	(5,418,395)
<b>Total Capital Assets Being Depreciated, Net</b>	<b>4,721,239</b>	<b>84,375</b>	<b>(349,811)</b>	<b>84,375</b>	<b>4,371,428</b>
<b>Total Capital Assets, Net</b>	<b>\$5,797,181</b>	<b>\$0</b>	<b>(\$339,811)</b>	<b>\$98,323</b>	<b>\$5,359,047</b>

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

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:



HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)

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

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 employer pension contribution rate for Authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended December 31, 2005, 2004, and 2003 amounted to \$62,046, \$54,606 and \$40,317 respectively. Ninety-three percent has been contributed for 2005. All required contributions for the two previous years have been paid.

**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 retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. 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 2005 employer contribution rate

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

(identified above) that was used to fund health care for the year ended December 31, 2005 was 4.0 percent of covered payroll, which amounted to \$18,316. 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, 2004. 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 2004 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 at a project wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

**NOTE 7: PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of \$10,306 represent HUD adjustment to the Housing Choice Voucher Program annual contribution earned for the for the fiscal year ended December 31, 2005.

**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.

HOCKING METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(CONTINUED)

**NOTE 9: LONG-TERM DEBT**

**Mortgage Payable**

Hocking Metropolitan Housing Authority has 4 outstanding mortgages as of December 31, 2005. These loans were obtained to purchase of property by the Board Funds.

	<b>ORIGINAL LOAN BALANCE</b>	<b>INTEREST RATE</b>	<b>LIFE OF LOAN</b>	<b>12/31/05 BALANCE</b>
<b>BANK ONE:</b>				
Loan Obligation 18	\$140,000	2.7625%	15 years	\$119,219
Loan Obligation 75	\$55,000	6.1800%	5 years	41,951
Loan Obligation 91	\$61,000	6.1800%	5 years	46,094
City of Logan	\$55,000	0.0000%	15 years	36,361
Total Outstanding Mortgages				243,625
Less: Current Portion				18,400
Total Non-Current Mortgage Payable				<u>\$225,225</u>

**Capital Lease**

In May 2005 the Authority entered into a capital lease agreement for the acquisition of Satellite TV System. The purchase price was \$12,800 with monthly payment of \$305.15. The lease expires on May 2010.

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

<b>DESCRIPTION</b>	<b>BALANCE 12/31/04</b>	<b>ISSUED</b>	<b>RETIRED</b>	<b>BALANCE 12/31/05</b>
Mortgage Loan Payable	\$401,483	\$0	\$157,858	\$243,625
Capital Lease	0	12,800	1,205	11,595
<b>TOTAL</b>	<u>\$401,483</u>	<u>\$12,800</u>	<u>\$159,063</u>	<u>\$255,220</u>

HOCKING METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (CONTINUED)

**NOTE 9: LONG-TERM DEBT** (Continued)

Maturities of the debt over the next five years are as follows:

<u>Years</u>	<u>Mortgage Payable</u>		<u>Capital Lease</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$18,400	\$8,651	\$2,050	\$1,612	\$30,713
2007	19,267	7,784	2,381	1,281	30,713
2008	19,958	7,093	2,766	896	30,713
2009	20,684	6,367	3,214	448	30,713
2010	21,449	5,602	1,186	38	28,275
2011-2015	118,077	14,791	0	0	132,868
2016-2020	25,788	871	0	0	26,659
Total	\$243,623	\$51,159	\$11,597	\$4,275	\$310,654

**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 \$245,566.

**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 operation to in 2006.

Hocking Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
111	Cash - Unrestricted	\$57,882	\$7,686	\$49,723	\$0	\$48,478	\$0	\$0	\$163,769
114	Cash - Tenant Security Deposits	\$3,527	\$31,500	\$0	\$0	\$0	\$0	\$0	\$35,027
100	Total Cash	\$61,409	\$39,186	\$49,723	\$0	\$48,478	\$0	\$0	\$198,796
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$17,919	\$0	\$0	\$0	\$17,919
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$32,896	\$0	\$0	\$32,896
125	Accounts Receivable - Miscellaneous	\$40,128	\$5,443	\$0	\$0	\$0	\$0	\$0	\$45,571
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$2,812	\$0	\$0	\$0	\$0	\$0	\$2,812
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$565)	\$0	\$0	\$0	\$0	\$0	(\$565)
126.2	Allowance for Doubtful Accounts - Other	\$0	(\$657)	\$0	\$0	\$0	\$0	\$0	(\$657)
128	Fraud Recovery	\$0	\$560	\$0	\$0	\$0	\$0	\$0	\$560
120	Total Receivables, net of allowances for doubtful accounts	\$40,128	\$7,593	\$0	\$17,919	\$32,896	\$0	\$0	\$98,536
131	Investments - Unrestricted	\$0	\$289,421	\$20,000	\$0	\$35,000	\$0	\$0	\$344,421
142	Prepaid Expenses and Other Assets	\$0	\$11,407	\$0	\$0	\$0	\$0	\$0	\$11,407
143	Inventories	\$0	\$11,758	\$638	\$0	\$0	\$0	\$0	\$12,396
143.1	Allowance for Obsolete Inventories	\$0	(\$1,176)	(\$65)	\$0	\$0	\$0	\$0	(\$1,241)
144	Interprogram Due From	\$0	\$39,350	\$0	\$0	\$8,648	\$0	\$0	\$47,998
150	Total Current Assets	\$101,537	\$397,539	\$70,296	\$17,919	\$125,022	\$0	\$0	\$712,313
161	Land	\$14,100	\$804,658	\$0	\$168,861	\$0	\$0	\$0	\$987,619
162	Buildings	\$344,131	\$7,886,254	\$0	\$0	\$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	\$26,097	\$12,049	\$0	\$0	\$0	\$0	\$38,146
165	Leasehold Improvements	\$0	\$1,444,529	\$0	\$0	\$0	\$0	\$0	\$1,444,529
166	Accumulated Depreciation	(\$91,178)	(\$5,315,169)	(\$12,049)	\$0	\$0	\$0	\$0	(\$5,418,396)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$273,671	\$4,916,514	\$0	\$168,861	\$0	\$0	\$0	\$5,359,046

Hocking Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
190	Total Assets	\$375,208	\$5,314,053	\$70,296	\$186,780	\$125,022	\$0	\$0	\$6,071,359
312	Accounts Payable <= 90 Days	\$2,139	\$10,548	\$5,708	\$3,800	\$2,145	\$0	\$0	\$24,340
321	Accrued Wage/Payroll Taxes Payable	\$0	\$15,107	\$0	\$0	\$6,899	\$0	\$0	\$22,006
322	Accrued Compensated Absences - Current Portion	\$778	\$10,819	\$4,000	\$0	\$3,970	\$0	\$0	\$19,567
333	Accounts Payable - Other Government	\$0	\$22,270	\$0	\$0	\$0	\$0	\$0	\$22,270
341	Tenant Security Deposits	\$3,527	\$23,375	\$0	\$0	\$0	\$0	\$0	\$26,902
342	Deferred Revenues	\$22,489	\$0	\$0	\$0	\$99,615	\$0	\$0	\$122,104
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$18,400	\$2,050	\$0	\$0	\$0	\$0	\$0	\$20,450
346	Accrued Liabilities - Other	\$0	\$214	\$0	\$0	\$51	\$0	\$0	\$265
347	Interprogram Due To	\$12,980	\$0	\$11,782	\$14,119	\$9,117	\$0	\$0	\$47,998
310	Total Current Liabilities	\$60,313	\$84,383	\$21,490	\$17,919	\$121,797	\$0	\$0	\$305,902
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$225,225	\$9,545	\$0	\$0	\$0	\$0	\$0	\$234,770
354	Accrued Compensated Absences - Non Current	\$583	\$7,968	\$4,113	\$0	\$1,039	\$0	\$0	\$13,703
350	Total Noncurrent Liabilities	\$225,808	\$17,513	\$4,113	\$0	\$1,039	\$0	\$0	\$248,473
300	Total Liabilities	\$286,121	\$101,896	\$25,603	\$17,919	\$122,836	\$0	\$0	\$554,375
508.1	Invested in Capital Assets, Net of Related Debt	\$30,046	\$4,904,919	\$0	\$168,861	\$0	\$0	\$0	\$5,103,826
512.1	Unrestricted Net Assets	\$59,041	\$307,238	\$44,693	\$0	\$2,186	\$0	\$0	\$413,158
513	Total Equity/Net Assets	\$89,087	\$5,212,157	\$44,693	\$168,861	\$2,186	\$0	\$0	\$5,516,984
600	Total Liabilities and Equity/Net Assets	\$375,208	\$5,314,053	\$70,296	\$186,780	\$125,022	\$0	\$0	\$6,071,359
703	Net Tenant Rental Revenue	\$66,554	\$320,796	\$0	\$0	\$0	\$0	\$0	\$387,350
704	Tenant Revenue - Other	\$389	\$19,926	\$0	\$0	\$0	\$0	\$0	\$20,315

Hocking Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
705	Total Tenant Revenue	\$66,943	\$340,722	\$0	\$0	\$0	\$0	\$0	\$407,665
706	HUD PHA Operating Grants	\$0	\$283,185	\$1,016,177	\$69,827	\$0	\$0	\$0	\$1,369,189
708	Other Government Grants	\$41,732	\$0	\$0	\$0	\$17,190	\$49,113	\$179,263	\$287,298
711	Investment Income - Unrestricted	\$151	\$8,554	\$1,229	\$0	\$826	\$0	\$0	\$10,760
715	Other Revenue	\$22,991	\$2,350	\$318	\$0	\$900	\$0	\$0	\$26,559
716	Gain/Loss on Sale of Fixed Assets	\$8,071	\$0	\$0	\$0	\$0	\$0	\$0	\$8,071
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$139,888	\$634,811	\$1,017,724	\$69,827	\$18,916	\$49,113	\$179,263	\$2,109,542
911	Administrative Salaries	\$31,274	\$98,581	\$68,748	\$10,000	\$9,692	\$27,692	\$101,076	\$347,063
912	Auditing Fees	\$1,192	\$1,988	\$3,810	\$0	\$0	\$0	\$0	\$6,990
914	Compensated Absences	\$140	\$2,824	(\$377)	\$0	\$0	\$0	\$0	\$2,587
915	Employee Benefit Contributions - Administrative	\$2,454	\$33,201	\$27,922	\$3,290	\$3,535	\$9,961	\$36,357	\$116,720
916	Other Operating - Administrative	\$16,256	\$29,157	\$36,444	\$10,000	\$4,011	\$11,460	\$41,830	\$149,158
924	Tenant Services - Other	\$0	\$5,441	\$0	\$0	\$0	\$0	\$0	\$5,441
931	Water	\$2,876	\$26,982	\$0	\$0	\$0	\$0	\$0	\$29,858
932	Electricity	\$4,324	\$63,995	\$0	\$0	\$0	\$0	\$0	\$68,319
933	Gas	\$5,674	\$7,675	\$0	\$0	\$0	\$0	\$0	\$13,349
938	Other Utilities Expense	\$0	\$1,440	\$0	\$0	\$0	\$0	\$0	\$1,440
941	Ordinary Maintenance and Operations - Labor	\$0	\$114,464	\$0	\$0	\$0	\$0	\$0	\$114,464
942	Ordinary Maintenance and Operations - Materials and Other	\$3,005	\$45,958	\$0	\$27,200	\$0	\$0	\$0	\$76,163
943	Ordinary Maintenance and Operations - Contract Costs	\$3,484	\$114,171	\$9,338	\$19,337	\$0	\$0	\$0	\$146,330
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$38,975	\$0	\$0	\$0	\$0	\$0	\$38,975
961	Insurance Premiums	\$2,266	\$22,713	\$0	\$0	\$0	\$0	\$0	\$24,979
962	Other General Expenses	\$0	\$399	\$0	\$0	\$0	\$0	\$0	\$399
963	Payments in Lieu of Taxes	\$0	\$22,270	\$0	\$0	\$0	\$0	\$0	\$22,270

Hocking Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2005

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Special Education Grants for Infants and Families with Disabilities	Temporary Assistance for Needy Families	Total
964	Bad Debt - Tenant Rents	\$120	\$17,980	\$0	\$0	\$0	\$0	\$0	\$18,100
967	Interest Expense	\$7,991	\$1,236	\$0	\$0	\$0	\$0	\$0	\$9,227
969	Total Operating Expenses	\$81,056	\$649,450	\$145,885	\$69,827	\$17,238	\$49,113	\$179,263	\$1,191,832
970	Excess Operating Revenue over Operating Expenses	\$58,832	(\$14,639)	\$871,839	\$0	\$1,678	\$0	\$0	\$917,710
973	Housing Assistance Payments	\$0	\$0	\$850,426	\$0	\$0	\$0	\$0	\$850,426
974	Depreciation Expense	\$12,996	\$349,615	\$0	\$0	\$0	\$0	\$0	\$362,611
900	Total Expenses	\$94,052	\$999,065	\$996,311	\$69,827	\$17,238	\$49,113	\$179,263	\$2,404,869
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$45,836	(\$364,254)	\$21,413	\$0	\$1,678	\$0	\$0	(\$295,327)
1103	Beginning Equity	\$43,251	\$5,307,620	\$12,974	\$437,652	\$508	\$0	\$0	\$5,802,005
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$268,791	\$10,306	(\$268,791)	\$0	\$0	\$0	\$10,306
	Ending Equity	\$89,087	\$5,212,157	\$44,693	\$168,861	\$2,186	\$0	\$0	\$5,516,984
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	180	1,956	3,672	0	0	0	0	5,808
1121	Number of Unit Months Leased	180	1,922	3,128	0	0	0	0	5,230



Hocking Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
December 31, 2005

Capital Fund Program Number OH16P03250103

1. The Program Costs are as follows:

Funds Approved	\$205,411
Funds Expended	<u>205,411</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$205,411
Funds Expended	<u>205,411</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 30, 2005.
4. 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, 2005

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Program		
Low Rent Public Housing	14.850	\$283,185
Housing Choice Vouchers	14.871	1,016,177
Public Housing Capital Fund Program	14.872	<u>69,827</u>
Total U.S. Department of Housing and Urban Development		<u>1,369,189</u>
<b>U.S. Department of Health and Human Services</b>		
Pass Through Hocking County Department of Job and Family Services		
Temporary Assistance for Needy Families	93.558	<u>179,263</u>
Total U.S. Department of Health and Human Services		<u>179,263</u>
<b>U.S. Department of Education</b>		
Pass Through Hocking County		
Special Education – Grant for Infants and Families with Disabilities	84.181	<u>49,113</u>
Total U.S. Department of Education		<u>49,113</u>
<b>TOTAL AWARDS</b>		<b><u><u>\$1,597,565</u></u></b>



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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**

Board of Directors  
Hocking Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Hocking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the Hocking Metropolitan Housing Authority basic financial statements and have issued my report thereon dated September 1, 2006. 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.

**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 financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the board of directors, management, 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.

*Salvatore Consiglio*

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Salvatore Consiglio, CPA, Inc.

September 1, 2006



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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

**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, 2005. 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.

I noted certain matters that I reported to management of Hocking Metropolitan Housing Authority, Ohio, in a separate letter dated September 1, 2006.

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, 2005.

## **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 pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



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Salvatore Consiglio, CPA, Inc.

September 1, 2006

Hocking Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2005

**1. SUMMARY OF AUDITOR'S RESULTS**

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 # 14.871- 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  
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There are no Findings or questioned costs for the year ended December 31, 2005.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There are no Findings or questioned costs for the year ended December 31, 2005.

Hocking Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
December 31, 2005

The audit report for the fiscal year ending December 31, 2004 contained no audit finding.





**Auditor of State  
Betty Montgomery**

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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 21, 2006**