

HANCOCK METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Hancock Metropolitan Housing Authority, Hancock County, prepared by James G. Zupka, 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 Hancock 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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**HANCOCK METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12-20
Supplemental Data:	
Schedule of Federal Awards Expenditures	21
Supplemental Financial Data Schedules	
Balance Sheet by Program	22
Statement of Revenues, Expenses, and Changes in Equity by Program	23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	26-27
Schedule of Findings and Questioned Costs	28-31

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Board of Trustees
Hancock Metropolitan Housing Authority
Findlay, Ohio

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

We have audited the accompanying basic financial statements of the Hancock Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2006 on our consideration of the Hancock Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

August 23, 2006

**HANCOCK METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
Unaudited**

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

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

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

FINANCIAL HIGHLIGHTS

- During 2005, the Authority's net assets increased by \$201,045 (or 80.9 percent). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net assets were \$449,656 and \$248,611 for fiscal years 2005 and 2004, respectively.
- The revenue increased by \$5,028 (or 0.2 percent) during 2004, and was \$2,805,605 and \$2,800,577 for 2005 and 2004, respectively.
- The total expenses of the Authority decreased by \$180,596 (or 6.5 percent) during 2005. Expenses were \$2,604,560 and \$2,785,156 for 2005 and 2004, respectively.

The primary focus of the Authority's financial statements (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority - as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pages 9-11) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
Unaudited**

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

Net Assets, Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
Unaudited**

THE AUTHORITY'S FUNDS

Business Type Funds

The Housing Choice Voucher Program

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

Other Non-Major Programs

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

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

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

Table 1 - Statement of Net Assets

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 596,221	\$ 507,702
Capital Assets	<u>2,035</u>	<u>3,419</u>
Total Assets	<u>598,256</u>	<u>511,121</u>
Current Liabilities	66,623	188,830
Non-Current Liabilities	<u>81,977</u>	<u>73,680</u>
Total Liabilities	<u>148,600</u>	<u>262,510</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,035	3,419
Unrestricted	<u>447,621</u>	<u>245,192</u>
Total Net Assets	<u>\$ 449,656</u>	<u>\$ 248,611</u>

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
Unaudited**

Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash) increased by \$88,519 in fiscal year 2005 and liabilities decreased by \$113,910. The increase in current assets was primarily due to the excess of revenue over expenses for the year. The decrease in current liabilities is primarily a reduction of the payable to HUD from fiscal year 2004 of \$158,875.

Table 2 - Changes of Unrestrictive Net Assets

Unrestricted Net Assets December 31, 2004		\$ 245,192
Results of Operations	\$ 201,045	
Adjustments:		
Depreciation (1)	<u>1,748</u>	
Adjusted Results from Operations		202,793
Capital Expenditures		<u>(364)</u>
Unrestricted Net Assets December 31, 2005		<u>\$ 447,621</u>

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

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

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

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

	<u>2005</u>	<u>2004</u>
Revenues:		
HUD PHA Operating Grants	\$ 2,765,686	\$2,765,877
Other Revenues	19,301	7,554
Other Government Grants	14,344	25,000
Investment Income	<u>6,274</u>	<u>2,146</u>
Total Revenues	<u>2,805,605</u>	<u>2,800,577</u>
Expenses:		
Administrative	296,680	320,426
Utilities	2,981	0
Maintenance	6,840	9,917
General	21,985	3,077
Housing Assistance Payments	2,274,326	2,449,500
Depreciation	<u>1,748</u>	<u>2,236</u>
Total Expenses	<u>2,604,560</u>	<u>2,785,156</u>
Net Increase/(Decrease)	<u>\$ 201,045</u>	<u>\$ 15,421</u>

**HANCOCK METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
Unaudited**

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

HUD PHA Grants remained virtually the same as the prior fiscal year. As instructed by HUD the Authority took what measures they could stabilizing rents to decrease their average HAP payments.

Staffing changes during the fiscal year 2005 contributed to the decrease of \$23,746 in the Administrative Expense category.

Most other expenses increased moderately due to inflation. Depreciation decreased because some assets became fully depreciated during the fiscal year 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2005, the Authority had \$2,035 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation).

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

	Business-Type Activities	
	2005	2004
Equipment - Administrative	\$ 15,812	\$ 15,448
Accumulated Depreciation	(13,777)	(12,029)
Total	<u>\$ 2,035</u>	<u>\$ 3,419</u>

The following reconciliation summarizes the change in capital assets.

Table 5 - Change in Capital Assets

Beginning Balance	\$ 3,419
Additions	364
Dispositions	0
Depreciation	(1,748)
Ending Balance	<u>\$ 2,035</u>

The Authority did not have any outstanding debt at December 31, 2005 and 2004.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
Unaudited**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Linda Trapp, Executive Director, the Hancock Metropolitan Housing Authority, at 419-424-7279. Specific requests may be submitted to the Authority at 604 Lima Avenue, Findlay, Ohio 45840.

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005

<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 512,639
Restricted Cash - FSS	61,315
Receivables, Net	21,269
Prepaid Expenses and Other Assets	<u>976</u>
Total Current Assets	<u>596,199</u>
Non-Current Assets:	
Capital Assets:	
Building and Equipment	15,812
Less Accumulated Depreciation	<u>(13,777)</u>
Capital Assets, Net	2,035
Other Non-Current Assets	<u>22</u>
Total Non-Current Assets	<u>2,057</u>
TOTAL ASSETS	<u>\$ 598,256</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$ 15,515
Accrued Liabilities	6,108
Intergovernmental Payables	<u>45,000</u>
Total Current Liabilities	<u>66,623</u>
Non-Current Liabilities:	
Accrued Compensated Absences	29,611
Non-Current Liabilities - Other	<u>52,366</u>
Total Non-Current Liabilities	<u>81,977</u>
TOTAL LIABILITIES	<u>148,600</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	2,035
Unrestricted Net Assets	<u>447,621</u>
TOTAL NET ASSETS	<u>\$ 449,656</u>

See accompanying notes to the basic financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Operating Revenues</u>	
Government Operating Grants	\$ 2,780,030
Other Revenue	<u>19,301</u>
Total Operating Revenues	<u>2,799,331</u>
 <u>Operating Expenses</u>	
Administrative	296,680
Utilities	2,981
Maintenance	6,840
General	21,985
Housing Assistance Payment	<u>2,274,326</u>
Total Operating Expenses Before Depreciation	2,602,812
Depreciation	<u>1,748</u>
Total Operating Expenses	<u>2,604,560</u>
 Operating Income	 <u>194,771</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	<u>6,274</u>
Total Non-Operating Revenues (Expenses)	<u>6,274</u>
 Net Income	 <u>201,045</u>
 Total Net Assets - Beginning of Year	 <u>248,611</u>
 Net Assets - End of Year	 <u>\$ 449,656</u>

See accompanying notes to the basic financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 2,621,155
Cash Received from Other Governments	45,000
Cash Received from Other Sources	15,128
Cash Payments for Housing Assistance	(2,274,326)
Cash Payments fro Operating Expenses	<u>(314,112)</u>
Net Cash Provided by Operating Activities	<u>92,845</u>
<u>Cash Flows from Investing Activities</u>	
Interest Received	<u>6,274</u>
Net Cash Flows from Investing Activities	<u>6,274</u>
<u>Cash Flows from Capital and Related Financing</u>	
Purchase of Capital Assets	<u>(364)</u>
Net Cash Flows from Capital and Related Financing	<u>(364)</u>
Net (Decrease) in Cash and Cash Equivalents	98,755
Cash and Cash Equivalents, Beginning	<u>413,884</u>
Cash and Cash Equivalents, Ending	<u>\$ 512,639</u>
<u>Reconciliation of Operating Income to Net</u>	
<u>Cash Provided by Operating Activities</u>	
Operating Income	\$ 194,771
Adjustment to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	1,748
Increase (Decrease) in:	
Accounts Receivable	11,089
FSS Deposits	(852)
Other Assets	(1)
(Increase) Decrease in:	
Accounts Payable	(5,516)
FSS Program Liability	4,891
Intergovernmental Payables	(113,875)
Accrued Liabilities	<u>590</u>
Net Cash Provided by Operating Activities	<u>\$ 92,845</u>

See accompanying notes to the basic financial statements.

HANCOCK METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Organization

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

Basis of Accounting

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

Machinery, Furnishings, and Equipment

Machinery, furnishings, and equipment are recorded at cost, over the useful life using the straight-line method. Total depreciation expense for the 2005 calendar year was \$1,748.

Cash and Cash Equivalents

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

Use of Estimates

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

HANCOCK 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)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Compensated Absences

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

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

Financial Statement Format and Content

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

Capital Contributions

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

Budgetary Accounting

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

HANCOCK 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)

Change in Accounting Policies

For fiscal year 2005, the Authority has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Authority; however, additional note disclosure can be found in Note 2. The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2005, the carrying amount of the Authority's cash deposits was \$573,954. Included in this amount is restricted cash held in a savings account for Family Self-Sufficiency Program participants. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2005, deposits totaling \$161,315 were covered by Federal Depository Insurance and deposits totaling \$412,938 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal

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

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

Cash on Hand (Continued)

Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2005, the Authority had no investments.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

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

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

Concentration of Credit Risk

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

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (in Years)</u>
Carrying Amount of Deposits	\$ 573,954	<1
Totals	<u>\$ 573,954</u>	<u>\$ 573,954</u>

NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2005 by class is as follows:

	<u>01/01/05 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/05 Balance</u>
Furniture and Equipment	\$ 15,448	\$ 364	0	\$ 15,812
Total	15,448	364	0	15,812
Accumulated Depreciation	<u>(12,029)</u>	<u>(1,748)</u>	0	<u>(13,777)</u>
Capital Assets, Net	<u>\$ 3,419</u>	<u>\$ (1,384)</u>	<u>\$ 0</u>	<u>\$ 2,035</u>

NOTE 4: **INSURANCE COVERAGE**

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

General Liability	\$2,000,000
Directors and Officers' Liability	\$2,000,000
Non-Owned Auto Liability	\$2,000,000
Building Contents	\$ 13,500

There were no significant changes in commercial coverage in 2005. Settled claims have not exceeded insurance coverage during the past 3 years.

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

NOTE 5: **PENSION PLAN**

Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Authority's contributions rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$22,867, \$23,014, and \$22,655, respectively; 100 percent has been contributed for 2005, 2004, and 2003. The Authority's required contribution to member-directed plans for the years ended December 31, 2005, 2004, and 2003 were \$2,322, \$2,322 and \$845 respectively.

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

NOTE 6: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local employer contribution rate was 13.55 percent of covered payroll, 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

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

Ohio Public Employees Retirement System (Continued)

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 7: **COMPENSATED ABSENCES**

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

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

At December 31, 2005, based on the vesting method, \$29,611 was accrued by the Authority for unused vacation and sick leave. All unused leave is considered non-current.

NOTE 8: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material operating lease commitments or material capital or construction commitments at December 31, 2005.

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

NOTE 9: **LITIGATION**

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

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

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<i><u>U.S. Department of Housing and Urban Development</u></i>			
<i>Direct Programs:</i>			
<u>Housing Assistance Payments</u>			
Section 8 - Housing Choice Voucher Program	14.871	OH082VO C-5520-V	\$ 2,570,356
Total U.S. Department of Housing and Urban Development - Direct Programs			<u>2,570,356</u>
<u>Passed Through Hancock County</u>			
HOME Program	14.239		<u>14,344</u>
Total Passed Through Programs			<u>14,344</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,584,700</u>

This schedule is prepared on the accrual basis of accounting.

HANCOCK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
BALANCE SHEET BY PROGRAM
DECEMBER 31, 2005

Line Item No.	Account Description	Housing Choice Vouchers	Other Federal Programs	Total
	ASSETS			
111	Cash - Unrestricted	\$482,964	\$29,675	\$512,639
115	Cash - Restricted for Payment of Current Liabilities	\$61,315	\$0	\$61,315
100	Total Cash	\$544,279	\$29,675	\$573,954
125	Accounts Receivable - Miscellaneous	\$13,199	\$8,070	\$21,269
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$13,199	\$8,070	\$21,269
142	Prepaid Expenses and Other Assets	\$976	\$0	\$976
150	Total Current Assets	\$558,454	\$37,745	\$596,199
164	Furniture, Equipment & Machinery - Administration	\$15,812	\$0	\$15,812
166	Accumulated Depreciation	(\$13,777)	\$0	(\$13,777)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$2,035	\$0	\$2,035
174	Other Assets	\$22	\$0	\$22
180	Total Non-Current Assets	\$2,057	\$0	\$2,057
190	Total Assets	\$560,511	\$37,745	\$598,256
	LIABILITIES			
312	Accounts Payable <= 90 Days	\$15,515	\$0	\$15,515
321	Accrued Wage/Payroll Taxes Payable	\$6,108	\$0	\$6,108
333	Accounts Payable - Other Government	\$45,000	\$0	\$45,000
310	Total Current Liabilities	\$66,623	\$0	\$66,623
354	Accrued Compensated Absences - Non Current	\$29,611	\$0	\$29,611
353	Noncurrent Liabilities - Other	\$52,366	\$0	\$52,366
350	Total Noncurrent Liabilities	\$81,977	\$0	\$81,977
300	Total Liabilities	\$148,600	\$0	\$148,600
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$2,035	\$0	\$2,035
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$409,876	\$37,745	\$447,621
513	Total Equity/Net Assets	\$411,911	\$37,745	\$449,656
600	Total Liabilities and Equity/Net Assets	\$560,511	\$37,745	\$598,256

HANCOCK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN EQUITY BY PROGRAM
DECEMBER 31, 2005

Line Item No.	Account Description	Housing Choice Vouchers	Other Federal Programs	Total
	REVENUES			
705	Total Tenant Revenue	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$2,765,686	\$0	\$2,765,686
708	Other Government Grants	\$0	\$14,344	\$14,344
711	Investment Income - Unrestricted	\$6,274	\$0	\$6,274
714	Fraud Recovery	\$14,767	\$0	\$14,767
715	Other Revenue	\$4,534	\$0	\$4,534
700	Total Revenue	\$2,791,261	\$14,344	\$2,805,605
	EXPENSES			
911	Administrative Salaries	\$190,683	\$0	\$190,683
912	Auditing Fees	\$10,528	\$0	\$10,528
914	Compensated Absences	\$0	\$0	\$0
915	Employee Benefit Contributions - Administrative	\$68,614	\$0	\$68,614
916	Other Operating - Administrative	\$26,855	\$0	\$26,855
938	Other Utilities Expense	\$2,981	\$0	\$2,981
942	Ordinary Maintenance and Operations - Materials and Other	\$6,840	\$0	\$6,840
961	Insurance Premiums	\$2,684	\$0	\$2,684
966	Bad Debt - Other	\$142	\$19,159	\$19,301
969	Total Operating Expenses	\$309,327	\$19,159	\$328,486
970	Excess Operating Revenue over Operating Expenses	\$2,481,934	(\$4,815)	\$2,477,119
973	Housing Assistance Payments	\$2,261,029	\$13,297	\$2,274,326
974	Depreciation Expense	\$1,748	\$0	\$1,748
900	Total Expenses	\$2,572,104	\$32,456	\$2,604,560
	OTHER FINANCING SOURCES (USES)			
1001	Operating Transfers In	\$25,000	\$0	\$25,000
1002	Operating Transfers Out	\$0	(\$25,000)	(\$25,000)
1010	Total Other Financing Sources (Uses)	\$25,000	(\$25,000)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$244,157	(\$43,112)	\$201,045
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$167,754	\$80,857	\$248,611
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$3,489,508	\$0	\$3,489,508
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$3,489,508	\$0	\$3,489,508
1120	Unit Months Available	7,423	54	7,477
1121	Number of Unit Months Leased	7,423	36	7,459

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

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

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the Hancock Metropolitan Housing Authority (the Authority) as of and for the year ended December 31, 2005, and have issued our report thereon dated August 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 control components 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 to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain additional matters that we reported to the management of the Hancock Metropolitan Housing Authority in separate letter dated August 23, 2006.

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

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

August 23, 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 Trustees
Hancock Metropolitan Housing Authority
Findlay, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Hancock Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2005. The Authority's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major Federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

As described in Finding 2005-1 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding Housing Quality Standards that are applicable to its Section 8 Housing Choice Voucher Program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

As described in Finding 2005-2 in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding Financial Reporting of Unaudited Financial Statements that are applicable to its Section 8 Housing Choice Voucher Program. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 grant agreements caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

James G. Zupka CPA, Inc.
Certified Public Accountants

August 23, 2006

**HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

2005(I)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2005(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	Yes
2005(v)	Type of Major Programs' Compliance Opinion	Qualified
2005(vi)	Are there any reportable findings under .510?	Yes
2005(vii)	Major Programs (list):	Housing Choice Voucher Program CFDA# 14.871
2005(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: >all others
2005(ix)	Low Risk Auditee?	No

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

None

**HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2005
(CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2005-1 - Housing Quality Standards (HQS) Quality Control Re-inspections

Condition

With regard to the administration of the Section 8 Housing Choice Voucher Program, the Authority did not conduct quality control re-inspections.

Criteria

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

The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections.

Cause

Management failed to ensure adherence to the agency policy to conduct quality control re-inspections.

Effect

The Authority is in noncompliance with this requirement

Recommendation

We recommend the Authority implement procedures to ensure compliance with this requirement.

Corrective Action Plan

This requirement will be met for 2006 and in the future with our Bookkeeping Manager, conducting HQS quality control re-inspections on a monthly basis. He attended the NAHRO HQS training and sat for the examination earlier this month. He will define the universe and develop a methodology for determining which units will be re-inspected. Also, just in the past 2 months Hancock Metropolitan Housing Authority has had new specific HUD - compatible software (HAPPY software) installed for our use due to a grant to upgrade Hancock Metropolitan Housing Authority's technology. The specific HQS programs were included in this acquisition and will streamline the HQS on all levels.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2005
(CONTINUED)**

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

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

Condition

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

Criteria

The Department of Housing and Urban Development requires Public Housing Authorities to electronically submit unaudited financial reports to REAC within two calendar months of the Authority's fiscal year-end date.

Cause

Management failed to ensure actions were taken to meet the compliance requirement.

Effect

The Authority was in noncompliance with this requirement.

Recommendation

We recommend that management implement procedures to ensure compliance with this requirement in the future.

Corrective Action Plan

The Authority apologizes for the delay in submitting the unaudited financial reports to REAC. Unfortunately we had three bookkeepers in a five month period due to a disability retirement and difficulties with the replacement worker. However, Hancock Metropolitan Housing Authority hired a Bookkeeping Manager in April 2006 who is very qualified for this position. He is well aware of the requirements for reporting to REAC and will be ready to handle this matter in a timely manner.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2005
(CONTINUED)**

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

PRIOR YEAR AUDIT FINDINGS

2004 -1 Reasonable Rent

Current Status

The Authority provided documentation that it revised the Admin. Plan for the program so that it establishes the requirement of reasonable rent. Furthermore, the Authority provided documentation that it now applies the requirements of reasonable rent but inasmuch as the plan was not adopted until after the field work for the 2004 audit was completed in mid 2005, such compliance was therefore not met until mid way through the current period.

2004 -2 Reexamine Family Income and Composition

Current Status

The Authority provided documentation that action was taken to resolve one of the two cases identified. The other case is still unresolved.



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HANCOCK METROPOLITAN HOUSING AUTHORITY

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 21, 2006**