

**LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Commissioners
Licking Metropolitan Housing Authority
85 W. Church Street
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Licking Metropolitan Housing Authority, Licking County, prepared by Haemmerle, Heximer, Harvey & Co., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 1, 2005

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Haemmerle, Heximer, & Co. Harvey

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Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

Independent Auditors' Report

We have audited the accompanying statement of net assets of Licking Metropolitan Housing Authority, as of and for the year ended December 31, 2004 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Licking Metropolitan Housing Authority as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles in the United States generally accepted.

The Authority implemented the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of January 1, 2004. This results in a change to the Authority's format and content of the basic financial statements.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2005, on our consideration of Licking Metropolitan Housing Authority's internal control over financial reporting and our 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 our 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Licking Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, the Schedule of Revenue and Expense by Program, the Schedule of Activity, and the Actual Modernization Cost Certification are presented for the purposes of additional analysis and are 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 stated in all material respects in relation to the basic financial statements taken as a whole.

Haemmerle, Heximer, Harvey & Co.

HAEMMERLE, HEXIMER, HARVEY & CO.

Columbus, Ohio

May 2, 2005

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

Housing Authority's ("the Authority") *Management 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)
- (d) Identify the single enterprise fund issues or concerns.

This *Management Discussion and Analysis (MD & A)* is new and will now be presented at the front of each year's financial statements.

Since the *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 follow.

FINANCIAL HIGHLIGHTS

- In 2004, the Housing Authority implemented GASB 34.
- Total revenues: FYE 12/31/04: \$5,813,082
FYE 12/31/03: \$5,475,828 Increase of \$337,254 (6.2%) in 2004
- Total expenses: FYE 12/31/04: \$5,954,105
FYE 12/31/03: \$5,533,913 Increase of \$420,192 (7.6%) in 2004

USING THIS ANNUAL REPORT

This is a very different presentation of the Authority's previous financial statements. The following graphic outlining these changes is provided for your review:

MD&A ~ Management Discussion and Analysis (new) ~
Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~

The new and clearly preferable focus is on the Authority as a single enterprise fund. This new format will 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.

LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004
Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the 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, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

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 basic 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 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.

The Authority's programs that are consolidated into a single enterprise fund are as follows:

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. Funds are allocated by a formula allocation and based on size and age of the authority's 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.

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

Other Business Activity – Under the Other Business Activity Program, the Authority transferred administrative fees from the HCVP administration reserves for future development/acquisition of building for housing purposes.

Section 8 New Construction (NC) – Under this projected-based cluster, the rental subsidy is tied to a specific unit and when a family moves from the unit, it has no right to continued assistance. The Authority subsidizes the family's rent through HAP made to the landlord.

Shelter Plus Care (SPC) – The Shelter Plus Care Program provides rental assistance, in connection with supportive services funded from sources other than this program, to homeless persons with disabilities (primarily persons who are seriously mentally ill; have chronic problems with alcohol, drugs, or both, or have acquired immunodeficiency syndrome and related diseases) and their families. The program provides assistance through four components: (1) Tenant-based Rental Assistance (TRA); (2) Sponsor-based Rental Assistance (SRA); (3) Project-based Rental Assistance (PRA); (4) and Single Room Occupancy for Homeless Individuals (SRO).

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to prior year.

**TABLE 1
STATEMENT OF NET ASSETS**

	2004	Restated 2003
Current and other assets	\$ 1,046,951	\$ 1,003,253
Capital assets	1,301,082	1,378,055
TOTAL ASSETS	2,348,033	2,381,308
Current and other liabilities	235,882	152,832
Long-term liabilities	-	-
TOTAL LIABILITIES	235,882	152,832
 Net assets:		
Invested in capital assets, net of related debt	1,301,082	1,378,055
Reserved for capital projects	598,628	-
Unrestricted	212,441	850,361
TOTAL NET ASSETS	\$ 2,112,151	\$ 2,228,416

NOTE: For more detailed information, see the *Statement of Net Assets*.

Major factors affecting the *Statement of Net Assets*: Net Assets reflect the most significant change in comparing the two years largely due to transfer of Section 8 administrative fee reserve to a reserved equity account for future development and/or acquisition of a building for housing purposes.

LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004
Unaudited

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year:

	<u>2004</u>	<u>Restated 2003</u>
REVENUES		
Tenant revenue - rents and other	\$ 205,192	\$ 217,139
Operating subsidies and grants	5,597,163	5,105,606
Capital grants	-	142,314
Investment income	10,000	10,769
Other revenue	721	-
TOTAL REVENUE	<u>5,813,076</u>	<u>5,475,828</u>
EXPENSES		
Administrative	764,623	754,473
Tenant services	3,396	4,516
Utilities	88,276	89,268
Maintenance	62,483	55,594
General	41,344	36,499
Housing assistance payments	4,907,843	4,420,660
Depreciation	79,763	169,246
Miscellaneous	6,371	3,657
TOTAL EXPENSES	<u>5,954,099</u>	<u>5,533,913</u>
Net operating loss	(141,017)	(58,085)
Equity, beginning, restated	<u>2,253,168</u>	<u>2,311,253</u>
EQUITY, ENDING	<u>\$ 2,112,151</u>	<u>\$ 2,253,168</u>

Major factors affecting the *Statement of Revenue, Expenses, and Changes in Net Asset*: Comparisons between these years do not reflect any significant changes. The Authority essentially operated consistently between the years.

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

CAPITAL ASSETS

As of year end, the Authority had \$1,301,082 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$76,973 from the end of last year.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(Net of Depreciation)**

	2004	2003
Land and land rights	\$ 209,300	\$ 209,300
Buildings	4,363,674	4,360,884
Equipment - administrative	104,490	104,490
Equipment - dwellings	2,712	2,712
Accumulated depreciation	(3,406,115)	(3,326,352)
Leasehold improvements	27,021	27,021
TOTAL	\$ 1,301,082	\$ 1,378,055

**TABLE 4
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

Beginning balance	\$ 1,378,055
Additions	2,790
Depreciation	(79,763)
Ending balance	\$ 1,301,082

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

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

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Phil Annarino, Executive Director of the Licking Metropolitan Housing Authority at (740)-345-80~~89~~
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Respectfully submitted,


Phil Annarino, Executive Director

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

ASSETS

Current assets:

Cash and cash equivalents – unrestricted	\$ 64,818
Cash and cash equivalents – restricted	503,478
Investments – unrestricted	102,306
Investments – restricted	160,610
Accounts receivable – other	76,003
Prepaid expenses	25,846
Inventory – net	<u>1,980</u>

Total current assets 935,041

Capital assets:

Land	209,300
Other capital assets – net	<u>1,091,782</u>

Total assets 2,236,123

LIABILITIES AND EQUITY

Current liabilities:

Tenant security deposits	8,800
Accounts payable – trade	20,341
Accounts payable – HUD	64,477
Accounts payable – other governments	11,417
Accrued wages and payroll taxes	7,165
Accrued compensated absences	<u>11,702</u>

Total current liabilities 123,972

Equity:

Invested in capital assets	1,301,082
Designated	598,628
Undesignated	<u>212,441</u>

Total net assets \$2,112,151

The accompanying notes are an integral part of these financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

Revenue:	
HUD grants	\$5,597,163
Rental income	205,192
Investment income – unrestricted	3,827
Investment income – restricted	6,179
Other	<u>721</u>
Total revenue	<u>5,813,082</u>
Expenses (except depreciation):	
Housing assistance payments	4,907,843
Administrative salaries	339,695
Other administrative expenses	241,442
Employee benefits	183,486
Utilities	88,276
Material and labor – maintenance	54,530
PILOT	11,418
Contract services	8,067
Tenant services	3,396
Other	<u>36,183</u>
Total expenses – except depreciation	<u>5,874,336</u>
Loss before depreciation and operating transfers	(61,254)
Depreciation expense	(79,763)
Operating transfer into the Low Rent Program	10,000
Operating transfer out of the Capital Fund	<u>(10,000)</u>
Net loss	<u>(141,017)</u>
Total net assets – beginning of year, as previously reported	2,228,416
Prior period adjustment	<u>24,752</u>
Total net assets – beginning of year, as adjusted	<u>2,253,168</u>
Total net assets – end of year	<u>\$2,112,151</u>

The accompanying notes are an integral part of these financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

Cash flows from operating activities:	
Cash received from tenants	\$ 206,194
Cash received from HUD	5,627,272
Cash payments for housing assistance payments	(4,943,149)
Cash payments for administrative	(764,436)
Cash payments for other operating expenses	(191,869)
Cash payments to HUD and other governments	<u>(14,625)</u>
Net cash used in operating activities	(80,613)
Cash flows from financing activities:	
Purchases of property and equipment	(2,790)
Cash flows from investing activities:	
Transfer of investments to cash	4,276
Investment income	<u>(10,006)</u>
Net cash used in investing activities	<u>(5,730)</u>
Decrease in cash and cash equivalents	(89,133)
Cash and cash equivalents – beginning of year	<u>657,429</u>
Cash and cash equivalents – end of year	<u>\$ 568,296</u>
Non cash transactions:	
Prior period adjustment	\$ 24,752
Accounts receivable – other	<u>(24,752)</u>
	<u>\$ -</u>
Reconciliation of operating loss to net cash used in operating activities:	
Net loss	\$ (141,017)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	79,763
Changes in operating assets that (increase) decrease cash flows:	
Accounts receivable – other	(103,766)
Prepaid expenses	404
Inventory	1,013
Changes in operating liabilities that increase (decrease) cash flows:	
Tenant security deposits	680
Accounts payable	(35,306)
Accounts payable – HUD	62,208
Accounts payable – other governments	(939)
Accounts payable – other	56,160
Accrued wages and payroll taxes	1,383
Accrued compensated absences	<u>(1,196)</u>
Net cash used in operating activities	<u>\$ (80,613)</u>

The accompanying notes are an integral part of these financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

The Licking Metropolitan Housing Authority (LMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and U.S. Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit.

These criteria were considered in determining that the reporting entity did not have any component units.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

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 Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments.

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LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies – (Continued)

The Authority's programs that are consolidated into a single enterprise fund are as follows:

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. Funds are allocated by a formula allocation and based on size and age of the authority's units.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Other Business Activity – Under the Other Business Activity Program, the Authority transferred administrative fees from the HCVP administration reserves for future development/acquisition of building for housing purposes.

Section 8 New Construction (NC) – Under this projected-based cluster, the rental subsidy is tied to a specific unit and when a family moves from the unit, it has no right to continued assistance. The Authority subsidizes the family's rent through HAP made to the landlord.

Shelter Plus Care (SPC) – The Shelter Plus Care Program provides rental assistance, in connection with supportive services funded from sources other than this program, to homeless persons with disabilities (primarily persons who are seriously mentally ill; have chronic problems with alcohol, drugs, or both, or have acquired immunodeficiency syndrome and related diseases) and their families. The program provides assistance through four components: (1) Tenant-based Rental Assistance (TRA); (2) Sponsor-based Rental Assistance (SRA); (3) Project-based Rental Assistance (PRA); (4) and Single Room Occupancy for Homeless Individuals (SRO).

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - (Continued)

Use of Estimates

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

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Investments

The Authority has designated \$598,628 of cash and investments to be used for future property acquisitions. (See NOTE 10)

Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

Tenant Receivables

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year.

Property and Equipment

Property and equipment are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is recorded on the straight-line method under the following lives:

Buildings	27.5 years
Buildings improvements	15 years
Equipment	7 years
Autos	5 years

Capitalization of Interest

The Department of Housing and Urban Development's policy is not to capitalize interest in the construction or purchase of fixed assets.

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Cash and Investments

Cash

State statutes classify monies held by the Authority into three categories:

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.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

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 current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized deposits with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

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LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments – (Continued)

The following show the Authority's deposits (bank balances) in each category:

Category 1: \$300,000 was covered by FDIC

Category 2: \$492,566 was covered by specific collateral pledged by
the financial institution in the name of the Authority

Book balances for the period ending December 31, 2004 were as follows:

	Cash	Investments	Total
Unrestricted low Rent Housing	\$ 64,818	\$ 102,306	\$ 167,124
Restricted:			
Low Rent Housing	8,800	-	8,800
Section 8 Rental Vouchers	51,641	-	51,641
Section 8 Business Activities	443,037	160,610	603,647
Total Restricted	503,478	160,610	664,088
	\$ 568,296	\$ 262,916	\$ 831,212

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instruments, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made upon delivery by dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of conformation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counter-party's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counter-party or its Trust department but not in the Authority's name.

The Authority's nonnegotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Capital Assets

A summary following is a summary of capital assets:

	<u>Balance</u> <u>12/31/03</u>	<u>New Additions/</u> <u>Deletions</u>	<u>Balance</u> <u>12/31/04</u>
Capital assets, not being depreciated			
Land	\$ <u>209,300</u>	\$ <u>-</u>	\$ <u>209,300</u>
Capital assets, being depreciated			
Buildings and improvements	\$ 4,387,905	\$ 2,790	\$ 4,390,695
Furniture and equipment	<u>107,202</u>	<u>-</u>	<u>107,202</u>
	4,495,107	2,790	4,497,897
Less accumulated depreciation	\$ <u>(3,326,352)</u>	\$ <u>(79,763)</u>	\$ <u>(3,406,115)</u>
Total capital assets, net being depreciated	\$ <u>1,168,755</u>	\$ <u>(76,973)</u>	\$ <u>1,091,782</u>

NOTE 4 – Equity

The composition of programs under the Authority changed during 2004. These changes resulted in a reclassification of equity between retained earnings and contributed capital of \$768,453. A prior period adjustment of \$24,752 was recorded in 2004 due to changes in administrative fees for the 2003 financial statements.

In addition, the Board of Directors approved an equity transfer of \$309,431 from the Capital Fund Program to the Public and Indian Housing Program (Low Rent).

NOTE 5 – Administrative Fee

The Authority receives an “administrative fee” as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rates are as follows:

A. Vouchers – units per month x \$43.51/unit

NOTE 6 – Allocation of Costs

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Retirement and Other Benefit Plans

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer deferred benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. Interested parties may obtain a copy by making a written request to 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 2004 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contribution to PERS for the years ending December 31, were as follows:

	<u>Contribution</u>	<u>Percent</u>
2004	\$ 46,029	13.55
2003	\$ 47,004	13.55
2002	\$ 43,769	13.55
2001	\$ 45,222	13.55
2000	\$ 30,164	13.55

All required contributions were made prior to each of those fiscal year ends.

PERS of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio revised Code provides statutory authority for employee and employer contributions. The 2004 employer contribution rate for state employers was 13.55% of covered payroll: 4.3% was the portion that was used to fund health care for the year.

OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely.

NOTE 8 – Compensated Absences

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

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Compensated Absences – (Continued)

All permanent employees will earn 4.6 hours sick leave per eighty (80) hours of service. Unused sick leave may be accumulated without limit.

All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

At December 31, 2004, \$11,702 was accrued by the Authority for unused vacation time.

NOTE 9 – Insurance

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. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

NOTE 10 – Subsequent Events

On April 18, 2005, the Board of Commissioners approved the purchase of a building located in Newark, Ohio. The Authority signed a contract with a purchase price of \$283,000 for the property. The Authority anticipates significant expenditures for repairs and remodeling before the property is utilized. The building will be used for administrative offices.

NOTE 11 – Contingencies

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2004, the Authority was involved in no such matters which would have a material effect on the financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2004

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Expenditures for the Year Ended</u>
U.S. Department of Housing And Urban Development				
Direct Programs:				
Public and Indian Housing Program (Low Rent)	14.850(a)	C-5013	\$ 134,505	\$ 134,505
Public Housing Capital Fund Program	14.872	C-5013	10,000	10,000
Section 8 Tenant Based Cluster:				
Section 8 Rental Voucher	14.871	C-5044	5,048,174	5,048,174
Section 8 Project Based:				
Section 8 New Construction	14.182	C-5044	243,715	243,715
Shelter Plus Care Program	14.238	C-5044	<u>160,769</u>	<u>160,769</u>
Total Federal Assistance			<u>\$5,597,163</u>	<u>\$5,597,163</u>

NOTE: This schedule has been prepared on the accrual basis of accounting.

See independent auditors' report.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

ACTUAL MODERNIZATION COST CERTIFICATION

DECEMBER 31, 2004

1. The actual modernization costs are as follows:

	Project <u>Capital Fund</u> <u>501-01</u>	Project <u>Capital Fund</u> <u>501-02</u>
Funds approved	\$ 126,272	\$ 121,829
Funds expended	<u>126,272</u>	<u>121,829</u>
Excess (deficiency) of funds approved	\$ _____ -	\$ _____ -
Funds advanced	\$ 126,272	\$ 121,829
Funds expended	<u>126,272</u>	<u>121,829</u>
Excess (deficiency) of funds advanced	\$ _____ -	\$ _____ -

2. The distribution of costs as shown on the schedule/report of Modernization Expenditures submitted to HUD for approval are in agreement with the Authority's records.
3. All Modernization costs have been paid and all related liabilities have been discharged through payment.

See independent auditors' report.

LICKING METROPOLITAN HOUSING AUTHORITY
 NEWARK, OHIO
 FDS SCHEDULE SUBMITTED TO HUD
 SCHEDULE OF ASSETS AND LIABILITIES BY PROGRAM
 FOR THE YEAR ENDED DECEMBER 31, 2004

Account Description	Low rent Program	Capital Fund	Shelter Plus Care Program	New Construction Program	Rental Voucher Program	Business Activities Program	Total
ASSETS							
Cash - unrestricted	\$ 64,818	\$ -	\$ -	\$ -	\$ -	\$ -	64,818
Cash - restricted for payment of current liabilities	-	-	-	-	51,641	-	51,641
Cash - other restricted	-	-	-	-	-	443,037	443,037
Cash - tenant security deposits	8,800	-	-	-	-	-	8,800
TOTAL CASH	73,618	-	-	-	51,641	443,037	568,296
Accounts receivable - HUD	-	-	-	-	-	-	-
Accounts receivable - HUD other proj	-	-	23,563	50,728	-	-	74,291
A/R tenants - dwelling rents	3,320	-	-	-	-	-	3,320
Allowance for doubtful accts	(3,320)	-	-	-	-	-	(3,320)
Fraud recovery	-	-	-	-	3,597	-	3,597
Allowance for doubtful accts	-	-	-	-	(1,885)	-	(1,885)
TOTAL ACCOUNTS RECEIVABLE	-	-	23,563	50,728	1,712	-	76,003
Investments - unrestricted	102,306	-	-	-	-	-	102,306
Investments - restricted	-	-	-	-	-	155,591	155,591
Investments - restricted for payment of current liabilities	-	-	-	-	5,019	-	5,019
Interprogram due from	-	-	-	-	111,910	-	111,910
Prepaid expenses and other assets	4,047	-	-	-	21,799	-	25,846
Inventories	1,446	-	-	-	754	-	2,200
Allowance for obsolete inventory	(1,45)	-	-	-	(75)	-	(220)
TOTAL CURRENT ASSETS	181,272	-	23,563	50,728	192,760	598,628	1,046,951
Land	209,300	-	-	-	-	-	209,300
Buildings	4,363,674	-	-	-	-	-	4,363,674
Furniture, equipment & machinery - dwellings	2,712	-	-	-	-	-	2,712
Furniture, equipment & machinery - admin	19,228	-	-	-	85,262	-	104,490
Leasehold improvements	27,021	-	-	-	-	-	27,021
Accumulated depreciation	(3,330,198)	-	-	-	(75,917)	-	(3,406,115)
TOTAL FIXED ASSETS, NET	1,291,737	-	-	-	9,345	-	1,301,082
TOTAL ASSETS	\$ 1,473,009	\$ -	\$ 23,563	\$ 50,728	\$ 202,105	\$ 598,628	\$ 2,348,033
LIABILITIES							
Tenant security deposits	8,800	\$ -	\$ -	\$ -	\$ -	\$ -	8,800
Accounts payable <= 90 days	7,565	-	-	-	12,776	-	20,341
Accounts payable - HUD PHA programs	-	-	-	-	64,477	-	64,477
Accounts payable - other governments	11,417	-	-	-	-	-	11,417
Deferred revenue	70	-	-	-	-	-	70
Interprogram due to	37,619	-	23,563	50,728	-	-	111,910
Accrued wages and payroll taxes	-	-	-	-	7,165	-	7,165
Accrued compensated absences	2,340	-	-	-	9,362	-	11,702
TOTAL LIABILITIES	67,811	-	23,563	50,728	93,780	-	235,882
TOTAL EQUITY	1,405,198	-	-	-	108,325	598,628	2,112,151
TOTAL LIABILITIES AND EQUITY	\$ 1,473,009	\$ -	\$ 23,563	\$ 50,728	\$ 202,105	\$ 598,628	\$ 2,348,033

See Independent Auditor's Report

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

FDS SCHEDULE SUBMITTED TO HUD
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2004

Account Description	Low rent Program	Capital Fund	Shelter Plus Care Program	New Construction Program	Rental Voucher Program	Business Activities Program	Total
Net tenant revenue	\$ 202,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,457
Tenant revenue - other	2,735	-	-	-	-	-	2,735
TOTAL TENANT REVENUE	205,192	-	-	-	-	-	205,192
PHA HUD grants	134,505	10,000	160,769	243,715	5,048,174	-	5,597,163
Investment income-unrestricted	2,737	-	-	-	840	-	3,577
Investment income - restricted	-	-	-	-	250	6,179	6,429
Fraud recovery	-	-	-	-	721	-	721
Other revenue	-	-	-	-	-	-	-
TOTAL REVENUE	342,434	10,000	160,769	243,715	5,049,985	6,179	5,813,082
EXPENSES							
Administrative salaries	98,705	-	10,000	5,500	225,490	-	339,695
Auditing fees	1,568	-	-	250	4,194	-	6,012
Compensated absences	(239)	-	-	-	(957)	-	(1,196)
Other operating - administrative	56,046	-	-	5,130	170,465	4,985	236,626
Employee benefits contributions - admin	50,188	-	2,096	1,520	129,682	-	183,486
Water	17,410	-	-	-	-	-	17,410
Electricity	39,379	-	-	-	-	-	39,379
Gas	31,487	-	-	-	-	-	31,487
Ord maintenance/op - materials	8,067	-	-	-	-	-	8,067
Ord maintenance/op - contract costs	51,850	-	-	-	-	2,566	54,416
Protective services - other contract costs	114	-	-	-	-	114	114
Tenant services - other	3,396	-	-	-	-	-	3,396
Insurance premiums	16,994	-	-	-	2,486	-	19,480
Other general expenses	8,491	-	-	-	567	-	9,058
Payments in lieu of taxes	11,418	-	-	-	-	-	11,418
Bad debt - tenant rents	1,274	-	-	-	-	-	1,274
TOTAL OPERATING EXPENSES	396,148	-	12,096	12,400	531,927	7,551	960,122
EXCESS OPERATING REVENUE OVER EXPENSES							
	(53,714)	10,000	148,673	231,315	4,518,058	(1,372)	4,852,960
Housing assistance payments	-	-	-	-	4,527,855	-	4,907,843
Depreciation expense	74,157	-	148,673	231,315	5,606	-	79,763
Fraud losses	-	-	-	-	40	-	40
Extraordinary maintenance	6,331	-	-	-	-	-	6,331
TOTAL EXPENSES	476,636	-	160,769	243,715	5,065,428	7,551	5,954,099
Transfers in (out)	10,000	(10,000)	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES	(124,202)	-	-	-	(15,443)	(1,372)	(141,017)
Beginning net assets	1,219,969	309,431	-	-	99,016	600,000	2,228,416
Prior period adj/equity transfers	309,431	(309,431)	-	-	24,752	-	24,752
ENDING NET ASSETS	\$ 1,405,198	\$ -	\$ -	\$ -	\$ 108,325	\$ 598,628	\$ 2,112,151

Haemmerle, Heximer, & Co. Harvey

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INDEPENDENT AUDITOR'S 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 Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

We have audited the financial statements of Licking Metropolitan Housing Authority, as of and for the year ended December 31, 2004 and have issued our report thereon dated May 2, 2005. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments, as of January 1, 2004. We conducted our audit in accordance with auditing standards in the United States generally accepted 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 our audit, we considered Licking Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 Licking Metropolitan Housing Authority's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Haemmerle, Heximer, Harvey & Co.

HAEMMERLE, HEXIMER, HARVEY & CO.

Columbus, Ohio

May 2, 2005

Haemmerle, Heximer, & Co. Harvey

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

Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

Compliance

We have audited the compliance of Licking Metropolitan Housing 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, 2004. Licking Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on Licking Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States and 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* and the provision of the *Public and Indian Housing Compliance Supplement*, PIH Notice 97-30. 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 Licking Metropolitan Housing 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 Licking Metropolitan Housing Authority's compliance with those requirements.

In our opinion Licking Metropolitan Housing 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, 2004.

Internal Control Over Compliance

The management of Licking Metropolitan Housing Authority 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 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 internal controls 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 relative 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Haemmerle, Heximer, Harvey & Co.

HAEMMERLE, HEXIMER, HARVEY & CO.

Columbus, Ohio

May 2, 2005

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2004

PART I – SUMMARY OF AUDITOR’S RESULTS

1. The auditor has issued an unqualified opinion on the financial statements of Licking Metropolitan Housing Authority.
2. There were no reportable conditions in internal control disclosed by the audit of the financial statements.
3. There was no noncompliance material to the financial statements disclosed by the audit.
4. There was no reportable conditions in the internal control over major programs disclosed by the audit.
5. The auditor has issued an unqualified opinion on compliance for major programs for Licking Metropolitan Housing Authority.
6. The audit disclosed no audit findings.
7. The major program is:
Cluster – Section 8 Programs
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditor determined that Licking Metropolitan Housing Authority qualified as a low-risk auditee.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

1. None

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS

1. None



**Auditor of State
Betty Montgomery**

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LICKING METROPOLITAN HOUSING AUTHORITY

LICKING 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
SEPTEMBER 13, 2005**