LICKING METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2010

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

Dave Yost • Auditor of State

Board of Directors
Licking Metropolitan Housing Authority
144 W. Main St.
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Licking Metropolitan Housing Authority, Licking County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2010 through December 31, 2010. 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.

Dave Yost

Dave Yost
Auditor of State

June 28, 2011

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BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2010

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JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying financial statements of the business-type activities of the Licking Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Licking Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these 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 respective financial position of the business-type activities of the Licking Metropolitan Housing Authority, as of December 31, 2010, and the respective changes in financial position, and cash flows, thereof 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 June 1, 2011, on our consideration of the Licking 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Licking Metropolitan Housing Authority, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the audited Financial Data Schedules (FDS) utilized by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is in the process of completing.

James G. Zupka, CPA, Inc.

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

June 1, 2011

Licking Metropolitan Housing Authority's (LMHA) *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.

LMHA follows the guidelines of GASB No. 34. Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it conjunction with the Authority's financial statements which follow.

Financial Highlights

• Total Revenue:	FYI 12/31/10:	$6,852,267 **increase** of $387,354 in 2010
	FYI 12/31/09:	$6,464,913 **increase** of $231,852 in 2009
• Total Expenses:	FYI 12/31/10:	$6,623,006 **increase** of $254,340 in 2010
	FYI 12/31/09:	$6,368,666 **decrease** of $ 69,346 in 2009

USING THIS ANNUAL REPORT

MD&A
~ Management Discussion and Analysis ~

BASIC FINANCIAL STATEMENTS
~ Statement of Net Assets
~ Statement of Revenues, Expenses and Changes in Net Assets
~ Cash Flows
~ Capital Assets at Year End
~ Change in Capital Assets
~ Notes to Financial Statements

This report focuses on LMHA as a single-enterprise fund. This format allows the user to address relevant questions, broaden a basis for comparison (year-to-year) and enhances LMHA's accountability.

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 LMHA.

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 LMHA. 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 Statements of Net Assets (**the "Unrestricted Net Assets"**) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire LMHA. 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 these 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 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 Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a discussion regarding 2010 **Cash Flows** is included.

Licking Metropolitan Housing Authority programs that are consolidated into a single-enterprise fund are as follows:

Conventional Public Housing (PH) **-** Under the Conventional Public Housing Program, LMHA rents up to 99 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 an Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income. Rental income chargeable to the PH tenants increased by 5.1 percent from 2009 to 2010, primarily due to higher incomes reported by tenants.

Capital Fund Program (CFP) - This is the current primary funding source for LMHA's physical and management improvements for PH. Funds are allocated by a formula allocation and based on size and age of the authority's units. 2010 included additional funds received from the Capital Fund Program Stimulus Recovery Act.

Housing Choice Voucher Program (HCVP) - Under the Housing Choice Voucher Program, LMHA subsidizes rents to independent landlords who own the properties. LMHA 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 LMHA to subsidize a portion of a tenant's rent. The tenant typically pays 30 percent of their adjusted gross income toward their rent.

Other Business Activity - LMHA owns an office building/land which it purchased in 2005 for Section 8 and administrative staff. A lease agreement with the local health clinic for the rental of a portion of the administrative building continued through 2010. This agreement allows the local health clinic to provide a centralized location for their facility, and provided LMHA Business Activities with $7,200 in annual rental income. These funds help defray the operating and utility expenses of Licking Metropolitan Housing Authority's administrative building.

LMHA's Financial Operations Manager also acts as the accountant for a non-profit organization, Licking County Housing, Inc. This agreement generated $2,127.30 which was in "Business Activity" revenue for 2010.

Shelter Plus Care I & II (SPC I & II) - The Shelter Plus Care Program, funded by the McKinney-Vinto Homeless Assistance Act, provide rental assistance, in connection with supportive services to homeless persons with disabilities, (primarily persons who are seriously mentally ill and/or chronic substance abuse) and their families. The programs provide assistance through tenant-based rental assistance. Administrative fees in the total amount of $9,193 were received from these programs in 2010.

STATEMENT OF NET ASSETS

Table 1 - Condensed Statement of Net Assets Compared to Prior Year

	2010	2009	Change	Percent Change
Current and Other Assets	$ 641,664	$ 998,519	$ (356,855)	$ (35.74%)
Capital Assets	2,055,024	1,901,126	153,898	8.10%
Total Assets	$ 2,696,688	$ 2,899,645	(202,957)	(7.00%)
Current Liabilities	$ 102,444	$ 538,779	(436,335)	(80.99%)
Non-current Liabilities	24,647	20,530	4,117	20.05%
Total Liabilities	127,091	559,309	(432,218)	(77.28%)
Net Assets:				
Investments in Capital Assets, Net of Related Debt	2,055,024	1,890,563	164,461	8.70%
Restricted Net Assets	50,638	150,418	(99,780)	(66.34%)
Unrestricted Net Assets	463,935	299,355	164,580	54.98%
Total Net Assets	2,569,597	2,340,336	229,261	9.80%
Total Liabilities and Net Assets	$ 2,696,688	$ 2,899,645	(202,957)	(7.00%)

One reason for the significant variance in current assets is that LMHA received its January deposit for 2010 HCV HAP and Administrative Fees in late December 2009. Cash was inflated by $474,435 on the balance sheet at end of the year 2009. Those funds were immediately spent in January of 2010. This was also responsible for the liability variance from $559,309 in 2009 to $127,091 in 2010.

Unrestricted net assets of $463,935 can be broken down by program as follows: Public Housing $81,152; and HCV $347,978 with $34,805 ear-marked as Business Activities.

" Restricted net assets" is $50,638, HCV HAP equity, that is funds provided by HUD to be used by LMHA to make rental assistance payments under the HCV program that had not yet been spent at year end.

Table 2 - Statement of Revenue, Expenses and Changes in Net Assets

	2010	2009	Change	Percent Change
Revenues				
Total Tenant Revenues	$ 224,425	$ 214,240	$ 10,185	$ 4.75%
Operating Subsidies	6,352,001	6,146,797	205,204	3.34%
Capital Grants	248,626	84,256	164,370	195.08%
Investment Income	812	528	284	53.79%
Other Revenues	26,403	19,092	7,311	38.29%
Total Revenues	6,852,267	6,464,913	387,354	5.99%
Expenses				
Administrative	693,892	637,060	56,832	8.92%
Tenant Services	3,703	2,876	827	28.76%
Utilities	125,186	126,392	(1,206)	(0.95%)
Maintenance	224,557	153,117	71,440	46.66%
Insurance and General Expenses	43,870	100,348	(56,478)	(56.28%)
Housing Assistance Payments	5,400,553	5,223,418	177,135	3.39%
Depreciation	131,245	125,455	5,790	4.62%
Total Expenses	6,623,006	6,368,666	254,340	3.99%
Net Increases (Decreases)	$ 229,261	$ 96,247	133,014	138.20%

SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM

LMHA experienced a net increase (all programs) of $387,354 in total revenue from 2009 to 2010, regarding which the following may be noted:

SECTION-8 (HCV, SPC I & SPC II)

HAP Vouchers for SPC I & II are pass-through programs, whereby exact amounts of expenses are immediately drawn down by the Licking Metropolitan Housing Authority through HUD's LOCCs for reimbursement. The HAP Housing Choice Voucher (HCV) Program operates by receiving an amount defined by HUD through an annual contributions contract. Deposits are made by HUD, typically, into the LMHA's account at the beginning of each month. LMHA is then responsible for making all housing-assistance payments for the applicable period.

Actual HCV HAP deposits for 2010 increased $142,864 from $5,105,962 to $5,248,826. HCV Administrative Fees received increased $72,674 from $574,239 to $646,913 in 2010.

As previously reported in the 2009 MD&A, no SPC Program Administrative Fees were received in 2009, as the fees were drawn down at the on-set of the SPC contracts, in prior periods. In 2010, with the renewal of the SPC contracts, $9,193 was drawn down in administrative fees for the SPC Programs.

HCV and SPC Program operating expenses increased only $3,697 from 2009 to 2010, with $570,073 in 2010 and $566,376 in 2009.

A comparison of 2009 and 2010 utilities for the HCV/SPC Program is as follows:

HCV/SPC Utility	2010	2009
Water	$ 634	$ 581
Electric	5,070	5,305
Gas	3,707	4,694
Total	$ 9,411	$ 10,580

The primary reason for the reduction in utilities stems from lease-hold improvements made by the Health Clinic, who leases a portion of the administrative building. Dropped ceilings, interior walls, and insulation were installed in late 2009, at the clinic's expense. These improvements helped reduce the gas and electric utility expenses.

PUBLIC HOUSING - LOW-RENT PROGRAM

The Public Housing, Low-Rent Program, operating subsidy increased from $207,735 in 2009 to $242,648 in 2010. Tenant dwelling-rental income increased $10,985 to $224,425 in 2010, due primarily to increases in tenant income.

Public Housing utility expenses increased by $6,833 in 2010. Water increased largely due to a glycol system reflushing and two large water-line breaks in 2010. Gas utility rates were lowered by the utility company in 2010, while electric utility rates increased. New windows were installed in 2010 in the Public Housing Hi-Rise Building; LMHA, therefore, anticipates reductions in utility usage in upcoming years.

PH Utility	2010	2009
Water	$ 25,562	$ 21,891
Electric	54,827	50,217
Gas	35,386	36,834
Total	$ 115,775	$ 108,942

Total operating expenses for the Public Housing Program increased by $25,129 in 2010. Notable increases in cleaning and painting contracts totaling $25,179 accounted for the variance. Cleaning was required for cleaning/clearing off the terrace prior to a major renovation. Extraordinary clean up was required from a boiler water-line break, and a contractor expense was incurred for cleaning up of bio-hazardous material after the death of a tenant. Painting was more extensive in 2010 with repainting of the Hi-Rise entrance, lobby, and community room.

In 2010, the Public Housing Program incurred an extraordinary expense of $6,981 for a needs assessment conducted by an Architect/Engineering firm to help better define and prioritize necessary capital improvements.

In 2009, LMHA spent $84,256, in capital fund grants for various capital improvement projects. In 2010, it spent $248,626.

Management would also like to make note regarding the Basic Financial Statements and Single Audit for the year ended December 31, 2010, "Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2010". Grant amounts received *include administrative fees*. The "Expenditures for the year Ended" does not represent the exact amount of payments made for the "Section 8 Rental Voucher" Program during the year but rather represents program revenue.

DISCUSSION CONCERNING CASH FLOW

LMHA's cash position as of December 31, 2009 was inflated, as it included an HCV Program deposit from HUD for January 2010 HCV payments, in the amount of $474,435. This included $427,440 for HCV vouchers and $46,995 for HCV administrative fees. These funds were expensed in January 2010. This factor is not obvious at first glance, when comparing cash position between 2010 and 2009 on the financial statements.

At the end of 2010, cash restricted for the HCV HAP Program was $50,638. Cash restricted for the security deposits for Low-Rent/Hi-Rise Program was $8,703.

CAPITAL ASSETS

As of 2010 year end, the Authority had $2,055,024 invested in a variety of capital assets as reflected in the following schedule which represents a net increase (addition, deductions and depreciation) of $153,898 from the end of 2009. See tables 3 & 4.

Table 3 - Condensed Statement of Changes in Capital Assets

	2010	2009	Change	Percent Change
Land	$ 276,250	$ 284,300	$ (8,050)	(2.83%)
Buildings	5,614,224	5,349,028	265,196	4.96%
Equipment	216,291	188,296	27,995	14.87%
Accumulated Depreciation	(4,051,741)	(3,920,498)	(131,243)	3.35%
Total Capital Assets, Net	$ 2,055,024	$ 1,901,126	153,898	8.10%

Table 4 - Changes in Capital Assets

Beginning Balance - December 31, 2009	$ 1,901,126
Current Year Additions	285,141
Current Year Depreciation Expense	(131,243)
Ending Balance - December 31, 2010	$ 2,055,024

Changes in capital assets for the HCV & Business Activity Accounts included purchases for the administrative office, mainly new office computers, a fire-proof storage cabinet, and a new server. A new sign for the building and a new awning was installed on the administrative building.

Additions in capital assets for the Public Housing Hi-Rise included several improvements for the Hi-Rise building; a window replacement project involving 84 rental units at $154,885.17; first phase of Terrace Renovation Project at $28,832.87; a lobby upgrade project; purchase of a boiler bearing assembly and heating valve/motor; Glycol (heating) system replacement; and generator with switch.

New equipment purchased for the Public Housing Hi-Rise included a new camera assembly for protective purposes and a ProMIG Welder.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding from the Department of Housing and Urban Development
- Local labor supply and demand, which can effect 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

MANAGEMENT NOTES AND CONCLUSIONS:

In January 2011, the Director of HUD's Financial Management Center issued a letter to the Licking Metropolitan Housing Authority summarizing a reconciliation that was conducted by HUD in conjunction with LMHA regarding the Net Restricted Assets for the HCV Program. LMHA found some evidence of the error from 2006 in book-keeping from a previous outside accountant, who recorded the HAP and administrative fees as HAP *only* received. In light of the reconciliation, NRA for December 31, 2009 was adjusted to $18,596 from $142,240. The 2010 Un-Audited FDS was prepared accordingly.

In January through April 2010, the LMHA HCV Program was spending conservatively, based on its financial situation whereby HUD was providing less than what LMHA was spending in HAP. In May, when the HCV Program received an additional $269,893 LMHA management immediately ramped up by issuing more vouchers. By September 2010, approximately 41 more units were leased in May 2010. 2010 ended with $50,638 remaining in LMHA's NRA.

LMHA obligated, received, and spent all of its allowed Capital Fund Program Stimulus Recovery Act Funds in 2010.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact me or Jody Hull-Arthur, Executive Director of the LMHA 740-349-8069 Ext. 224.

Cynthia Beers
Financial Operations Manager
740-349-8069 Ext. 229

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 564,711
Restricted Cash and Cash Equivalents	59,341
Receivables, Net	7,101
Prepaid Expenses	10,511
Total Current Assets	641,664
Noncurrent Assets	
Non-depreciable Capital Assets	276,250
Depreciable Capital Assets, Net	1,778,774
Total Noncurrent Assets	2,055,024
TOTAL ASSETS	$ 2,696,688
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 65,851
Current Portion of Capital Lease Obligation	4,126
Tenant Security Deposits	8,703
Accrued Wages and Payroll Taxes	12,899
Intergovernmental Payable	10,865
Total Current Liabilities	102,444
Noncurrent Liabilities	
Long Term Portion of Capital Lease Obligation	2,312
Accrued Compensated Absences - Net of Current Portion	22,335
Total Noncurrent Liabilities	24,647
Total Liabilities	127,091
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,055,024
Unrestricted Net Assets	463,935
Restricted Net Assets	50,638
Total Net Assets	2,569,597
TOTAL LIABILITIES AND NET ASSETS	$ 2,696,688

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

Operating Revenues	
Government Grants	$ 6,352,001
Tenant Revenue	224,425
Other Revenue	26,403
Total Operating Revenues	6,602,829
Operating Expenses	
Administrative	693,892
Tenant Services	3,703
Utilities	125,186
Maintenance	224,557
General	43,870
Housing Assistance Payments	5,400,553
Total Operating Expenses Before Depreciation	6,491,761
Income (Loss) Before Depreciation	111,068
Depreciation	131,245
Operating Income (Loss)	(20,177)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	812
Total Non-Operating Revenues (Expenses)	812
Income (Loss) Before Capital Grants	(19,365)
Capital Grants	248,626
Change in Net Assets	229,261
Total Net Assets, Beginning of Year	2,340,336
Net Assets, End of Year	$ 2,569,597

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows from Operating Activities	
Cash Received from Government Grants	$ 5,893,600
Cash Received From Tenants	224,425
Cash Payments for Housing Assistance	(5,400,553)
Cash Payments for Administrative Expenses	(688,446)
Cash Payments for Other Operating Expenses	(357,028)
Cash Received - Other	27,143
Net Cash (Provided) by Operating Activities	(300,859)
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(285,143)
Capital Grants Received	248,626
Payments on Capital Lease Obligation	(4,125)
Net Cash Provided by Capital and Other Related Financing Activities	(40,642)
Cash Flows from Investing Activities	
Interest and Investment Income Received	812
Net Cash Provided by Investing Activities	812
Net Increase (Decrease) in Cash and Cash Equivalents	(340,689)
Cash and Cash Equivalents, Beginning	964,741
Cash and Cash Equivalents, Ending	$ 624,052
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (20,177)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	131,245
(Increase) Decrease in:	
Accounts Receivable - HUD	13,696
Accounts Receivable - Other	215
Prepaid Expenses	2,255
Increase (Decrease) in:	
Accounts Payable	38,033
Intergovernmental Payable	2,338
Accrued Compensated Absences	819
Tenants' Security Deposits	525
Accrued Wages and Payroll Taxes	4,627
Deferred Revenue	(474,435)
Net Cash Used by Operating Activities	$ (300,859)

See accompanying notes to the basic 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. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with decent, safe, and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of **a**) the primary government, **b**) organizations for which the primary government is financially accountable, and **c**) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government **a**) is entitled to the organization's resources; **b**) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or **c**) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report present all of the funds of the Authority over which the Authority is financially accountable.

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

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America Generally Accepted Accounting Procedures (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

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

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

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

Public Housing (PH) - The PH program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with rental income received from tenants, are available solely to meet the operating expenses of the program.

Capital Fund Program (CFP) - The CFP provides funds annually, via a formula, to PH Agencies for capital and management activities, including modernization and development housing.

Housing Choice Voucher Program (HCVP) - The HCVP was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

Shelter Plus Care (SPC) - The SPC 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 Tenant-based Rental Assistance (TRA).

Business Activities (BA) - Business Activities represents other services that the PHA provides to Licking Metropolitan Housing Authority for a fee and services that the PHA provides to the County. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

Use of Estimates
The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America 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 the 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.

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

Investments

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

Tenant Receivables

Bad Debts are provided on the allowance method based on management's evaluation of the collect ability of outstanding tenant receivable balances at the end of the year. Tenant-Rent accounts receivable as of December 31, 2010, was $2,547. Fraud recovery for the HCVP Repayment agreements of $12,450 was fully offset by an allowance for doubtful accounts ($12,450).

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

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. The Authority's capitalization threshold is $500. Depreciation is recorded on the straight-line method under the following lives:

Buildings	27.5 years
Building Improvements	15 years
Equipment	7 years
Autos	5 years

Capitalization of Interest

HUD's policy is not to capitalize interest in the construction or purchase of fixed assets. The Authority adopts the same policy.

NOTE 2: **CASH AND INVESTMENTS**

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

Active deposits are public deposits necessary to meed 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.

Interactive deposits are public 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 treasury 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.

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

Category 1: $253,701 was covered by the FDIC

Category 2: $417,306 was covered by specific collateral pledged by the financial institution in the name of the Authority

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

Deposits (Continued)

Book balances for the period ending December 31, 2010 were as follows:

Unrestricted:	Unrestricted	Restricted	Total
Low Rent Housing	$ 165,155	$ 8,703	$ 173,858
Housing Choice Voucher Program	364,751	50,638	415,389
Business Activities	34,805	0	34,805
Total Unrestricted	$ 564,711	$ 59,341	$ 624,052

Included in the unrestricted book balances is $200 in petty cash.

Investments

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, 2010, the Authority had no investments.

Interest Rate Risks

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that is 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 Risks

The Authority does not place a limit on the amount that may be invested in any one institution. The Authority's deposits in financial institutions represent 100 percent of its deposits.

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

Restricted Cash

The restricted cash balance of $59,341 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments (Restricted Net Assets)	$ 50,638
Tenant Security Deposits Liability	8,703
Total	$ 59,341

NOTE 3: **CAPITAL ASSETS**

Following is a summary of capital assets:

	Balance 12/31/2009	Reclasses	Additions	Balance 12/31/2010
Capital Assets Not Being Depreciated				
Land	$ 284,300	$ (8,050)	$ 0	$ 276,250
Total Capital Assets Not Being Depreciated	284,300	(8,050)	0	276,250
Capital Assets Being Depreciated				
Buildings and Improvements	5,349,028	8,050	257,146	5,614,224
Furniture and Equipment	188,296	0	27,995	216,291
Subtotal Capital Assets Being Depreciated	5,537,324	8,050	285,141	5,830,515
Accumulated Depreciation - Buildings and Improvements	(3,756,739)	0	(117,652)	(3,874,391)
Accumulated Depreciation - Furniture and Equipment	(163,759)	0	(13,591)	(177,350)
Subtotal Accumulated Depreciation	(3,920,498)	0	(131,243)	(4,051,741)
Depreciable Assets, Net	1,616,826	8,050	153,898	1,778,774
Total Capital Assets, Net	$ 1,901,126	$ 0	$ 153,898	$ 2,055,024

NOTE 4: **COMMITMENTS**

The Authority entered into a capital lease for a copier in July, 2007. The lease calls for monthly payments of $367 through June, 2012. The total cost for the asset under the lease was $20,317; accumulated amortization totaled $13,879 as of December 31, 2010.

Future minimum lease payments under this lease are as follows as of December 31, 2010,

2011	$ 4,404
2012	2,202
Total	6,606
Less Amount Representing Interest	168
Current Portion of Capital Lease Obligation	4,126
Capital Lease Obligation, Less Current Portion	$ 2,312

NOTE 5: **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.

NOTE 6: **RETIREMENT AND OTHER BENEFIT PLANS**

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

1. The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

2. The Member-Directed Plan (MD) - a benefit 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 the member and (vested) employer contributions plus any investments earnings.

3. The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension 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 Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

NOTE 6: **RETIREMENT AND OTHER BENEFIT PLANS** (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to the Traditional Plan for the years ended December 31, 2010, 2009, and 2008, were $55,810, $56,841, and $53,338, respectively. The Authority's required contributions to the Member-Directed Plan for years ended December 31, 2010, 2009 and 2008 were $4,355, $4,255, and $4,113, respectively. The full amount has been contributed for 2010, 2009, and 2008. The Authority had no employees participating in the Combined Plan in 2010, 2009, and 2008.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Plan Description (Continued)

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to established and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5.0 percent from March 1, through December 31, 2010, and allocated to health care for members in the Combined Plan was 4.73 percent from

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Funding Policy (Continued)

January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2010, 2009, and 2008 which were used to fund post-employment benefits were $21,925, $23,853 and $26,669, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 2, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **COMPENSATED ABSENCES**

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

All permanent employees earn 5 hours of sick leave per 86.66 hours of service. Unused sick leave may be accumulated without limit. Accrued sick time is not payable to the employee upon their separation from employment.

All permanent employees will earn vacation hours accumulated based on length of service. Unused vacation time may be accumulated up to 240 hours. All vacation time accumulated will be paid to an employee upon separation of employment. At December 31, 2010 $22,335 was accrued for 2010 unused vacation and $21,516 was accrued by the Authority for unused 2009 vacation time.

A summary of changes in compensated absences follows:

Beginning Balance	Additions	Used	End Balance
$ 21,516	22,680	21,861	$22,335

None of the balance is considered to be current because no pay-outs at separation are anticipated in the coming period.

NOTE 9: **INSURANCE**

The Authority is covered for property, damage, general liability, automobile liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of forty Ohio housing authorities, of which the Licking Metropolitan Housing Authority is one. Deductibles and coverage limits are summarized below:

The property policy provides an occurrence limit of $250,000,000 subject to a maximum of 140 percent of the scheduled value at each location. The limits for the Authority's two locations are:

The property at 144 W. Main Street - $806,000 building + $155,000 contents = $961,000 x 1.40 = $1,345,400 maximum payment.

The properties at 85 W. Church Street - $7,457,222 + 119,000 contents = $7,576,000 x 1.40 = $10,606,400 maximum payment plus $210,000 in rental income.

The property deductible is $1,500 per occurrence.

Boiler/Machinery - $50,000,000 per occurrence limit with a $1,000 deductible.

General Liability - $2,000,000 primary per occurrence limit plus $4,000,000 excess liability per occurrence for a total of $6,000,000 per occurrence. There is no deductible.

Automobile Liability - $2,000,000 primary per occurrence limit plus $4,000,000 excess liability per occurrence for a total of $6,000,000 per occurrence. There is no deductible.

Public Officials - $2,000,000 primary per occurrence limit plus $4,000,000 excess liability per occurrence for a total of $6,000,000 per occurrence. There is no deductible.

Crime - Employee Dishonesty limit of $500,000 primary plus $500,000 excess of the primary for a total of $1,000,000 per loss. The deductible is $500.

Additionally, Worker's Compensation insurance is maintained through the State of Ohio Bureau of Worker's Compensation, in which rates are calculated retrospectively based on various exposure. In 2010, the Authority was fully insured through Aetna Health, Inc. for employee health-care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 10: **LONG-TERM DEBT**

The Authority has no outstanding loans as of December 31, 2010, and no future long-term debt is anticipated.

NOTE 11: **CONSTRUCTION AND OTHER COMMITMENTS**

A Terrace Garden's Terrace and Structural Repair Project contract was begun, but not completed at December 31, 2010. In December 2009, the Contracting Officer for Public Housing signed an agreement with Kabil and Associates, Inc. For $24,440 for architect and engineering services for the project. $10,880 remained at year-end for services yet required. Also signed on December 7, 2010 was a $110,242 contract with Tri-State Renovations, Inc. for actual structural repairs. No services were yet rendered on the Tri-State Renovation contract at year end.

NOTE 12: **INTERPROGRAM RECEIVABLES/PAYABLES**

Interprogram balance at December 31, 2010, consists of the following receivables and payables:

	Due From	Due To
Housing Choice Voucher Program	$ 21,554	$ 0
Low-Rent Pubic Housing	0	19,132
Shelter Plus Care	0	2,422
Total	$ 21,554	$ 21,544

Inter-program receivables and payables as of December 31, 2010, on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

NOTE 13: **OPERATING TRANSFER**

The Authority had a $10,000 operating transfer in 2010, stemming from a draw down from the 2009 Capital Fund Program to Public Housing for operations. This was part of the Licking Metropolitan Housing Authority's 5-Year Plan, as permitted by HUD.

NOTE 14: **LITIGATION AND CLAIMS**

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2010, the Authority was involved in no such matters which management believes would have a material effect on the financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 242,648
CFP Cluster		
Capital Fund Program	14.872	145,852
Public Housing Capital Fund Stimulus Recovery Act Funded	14.885	130,199
Total CFP Cluster		276,051
Total Public Housing Programs		518,699
Section 8 Tenant Based Programs		
Section 8 Housing Choice Voucher Program	14.871	5,895,739
Shelter Plus Care Program	14.238	186,189
Total Section 8 Tenant Based Programs		6,081,928
Total U.S. Department of Housing and Urban Development		6,600,627
Total Federal Expenditures		$ 6,600,627

This schedule is prepared on the accrual basis of accounting.

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

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

Board of Directors
Licking Metropolitan Housing
Newark, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities of the Licking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Licking Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated June 1, 2011. 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Licking Metropolitan Housing Authority, Ohio'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 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.

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

June 1, 2011

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

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of the Licking Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Licking Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2010. The Licking Metropolitan Housing Authority, Ohio'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 grants applicable to each of its major federal programs is the responsibility of the Licking Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Licking Metropolitan Housing Authority, Ohio'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 Licking Metropolitan Housing Authority, Ohio'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 of the Licking Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Licking Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Licking Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Licking Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Licking Metropolitan Housing Authority, Ohio's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the management, the Board of Directors, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.

James G. Zupka CPA, Inc.
Certified Public Accountants

June 1, 2011

1. SUMMARY OF AUDITOR'S RESULTS

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2010(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2010(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

LICKING METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

The prior audit report, as of December 31, 2009, included no citations or management letter comments.

Dave Yost • Auditor of State

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
JULY 12, 2011

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