

**LICKING METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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



Dave Yost • Auditor of State

Board of Directors
Licking Metropolitan Housing Authority
144 West Main Street
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, 2012 through December 31, 2012. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 18, 2013

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**LICKING METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Licking Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Licking Metropolitan Housing Authority, Ohio, as of December 31, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 and 13 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 our 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Licking Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Costs - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not part of the basic financial statements. The 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 basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost-Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date May 14, 2013, 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* in considering the Licking Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.



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

May 14, 2013

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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 12/31/12: \$7,024,254 **increase** of \$237,530 in 2012
 FYI 12/31/11: \$6,786,724 **decrease** of \$65,543 in 2011
- Total Expenses: FYI 12/31/12: \$7,058,209 **increase** of \$427,785 in 2012
 FYI 12/31/11: \$6,630,424 **increase** of \$7,418 in 2011

USING THIS ANNUAL REPORT

<p>MD&A ~ Management Discussion and Analysis ~</p> <p>BASIC FINANCIAL STATEMENTS ~ Statement of Net Position ~ Statement of Revenues, Expenses and Changes in Net Position ~ Cash Flows ~ Capital Assets at Year End ~ Change in Capital Assets ~ Notes to Financial Statements</p>

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.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(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 LMHA.

These statements include a **Statement of Net Position** which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for LMHA. The statement is presented in the format where assets, minus liabilities, equals “Net Position”, 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 Position (**the “Unrestricted Net Position”**) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire LMHA. Net Position (formerly equity) are reported in three broad categories (as applicable).

Net Position, Invested in Capital Assets, Net of Related Debt: This component of Net Position 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 Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Position”. This account resembles the old operating reserves account.

The basic financial statements also include a **Statement of Revenues, Expenses and Changes in Net Position** (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 Position is the “Change in Net Position”, which is similar to Net Income or Loss.

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

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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.

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 based on size and age of the authority's units.

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 2012. 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. An Environmental Grant from the City of Newark yielded \$24,000.

Shelter Plus Care - 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.

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**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

STATEMENT OF NET POSITION

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

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
Current and Other Assets	\$ 668,465	\$ 656,511	\$ 11,954	\$ 1.82 %
Capital Assets	<u>2,072,388</u>	<u>2,121,956</u>	<u>(49,568)</u>	(2.34)%
Total Assets	<u>\$ 2,740,853</u>	<u>\$ 2,778,467</u>	<u>\$ (37,614)</u>	(1.35)%
Current Liabilities	\$ 29,902	\$ 31,911	\$ (2,009)	(6.30)%
Non-current Liabilities	<u>19,009</u>	<u>20,659</u>	<u>(1,650)</u>	(7.99)%
Total Liabilities	<u>48,911</u>	<u>52,570</u>	<u>(3,659)</u>	(6.96)%
Net Position:				
Investments in Capital Assets, Net of Related Debt	2,072,388	2,119,776	(47,388)	(2.24)%
Restricted Net Position	171,354	177,557	(6,203)	(3.49)%
Unrestricted Net Position	<u>448,200</u>	<u>428,564</u>	<u>19,636</u>	4.58 %
Total Net Position	<u>2,691,942</u>	<u>2,725,897</u>	<u>(33,955)</u>	(1.25)%
Total Liabilities and Net Position	<u>\$ 2,740,853</u>	<u>\$ 2,778,467</u>	<u>\$ (37,614)</u>	(1.35)%

“Restricted net position” includes \$171,354, HCV HAP equity which are 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. This figure is close to the 2011 balance, which was \$177,557.

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**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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

	2012	2011	Change	Percent Change
Revenues				
Total Tenant Revenues	\$ 264,174	\$ 232,504	\$ 31,670	\$ 13.62 %
Operating Subsidies	6,610,455	6,388,454	222,001	3.48 %
Capital Grants	71,314	136,121	(64,807)	(47.61)%
Investment Income	826	956	(130)	(13.60)%
Other Revenues	77,485	28,689	48,796	170.09 %
Total Revenues	<u>7,024,254</u>	<u>6,786,724</u>	<u>237,530</u>	3.50 %
Expenses				
Administrative	785,155	770,567	14,588	1.89 %
Tenant and Protective Services	5,196	2,289	2,907	127.00 %
Utilities	121,914	121,864	50	0.04 %
Maintenance	186,275	176,243	10,032	5.69 %
Insurance and General Expenses	55,086	37,182	17,904	48.15 %
Housing Assistance Payments	5,749,161	5,375,566	373,595	6.95 %
Depreciation	155,422	146,713	8,709	5.94 %
Total Expenses	<u>7,058,209</u>	<u>6,630,424</u>	<u>427,785</u>	6.45 %
Net Increases (Decreases)	<u>\$ (33,955)</u>	<u>\$ 156,300</u>	<u>\$ (190,255)</u>	(121.72)%

SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM

LMHA experienced a net increase (all programs) of \$237,530 in total revenue from 2011 to 2012, regarding which the following may be noted:

SECTION-8 (HCV)

HAP Vouchers for SPC Program involve a pass-through process, 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.

HCV HAP funds received from HUD for 2012 increased \$167,200 from \$5,317,175 in 2011 to \$5,484,375 in 2012. HCV Administrative Fees received decreased \$7,542 from \$622,188 in 2011 to \$614,646 in 2012. The cumulative total reduction in administrative fees from the last two years is \$32,267.

SPC Administrative Fees received of \$17,803 shows an increase from 2011 when \$14,417 was earned. LMHA administered assistance to more units receiving SPC HAP in 2012, up by \$39,195 to \$221,340 in 2012 from \$182,145 in 2011.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

HCV and SPC Program operating expenses increased by \$12,362, with \$617,074 spent in 2011 and \$629,436 spent in 2012. SPC Program expenses increased by \$3,386, commensurate with the increased vouchers administered in the program. The HCV Program operating expenses increased primarily due to various maintenance in-house labor and material for maintenance repair and small projects in the administrative offices in the amount of \$9,971.

A comparison of 2011 and 2012 utilities for the HCV Program is as follows:

<u>HCV Utility</u>	<u>2012</u>	<u>2011</u>
Water	\$ 586	\$ 632
Electric	5,907	5,381
Gas	1,641	2,661
Total	<u>\$ 8,134</u>	<u>\$ 8,674</u>

A slight reduction of \$540 was seen in utility expenses from 2011 to 2012, due to small fluctuation in the utility rates.

PUBLIC HOUSING - LOW-RENT PROGRAM

The Public Housing, Low-Rent Program, operating subsidy received from HUD increased by \$14,949 from \$226,835 in 2011 to \$238,784 in 2012. Tenant revenue increased \$31,670 from \$232,504 in 2011 to \$264,174 in 2012. This reduction is due to a slight increase in tenant social security income, higher incomes reported by tenants, and a 60 percent reduction in the number of days for unit vacancy in 2012.

Public Housing utility expenses increased minimally by \$590 in 2012, as seen below:

<u>PH Utility</u>	<u>2012</u>	<u>2011</u>
Water	\$ 25,822	\$ 25,289
Electric	66,924	60,197
Gas	21,034	27,704
Total	<u>\$ 113,780</u>	<u>\$ 113,190</u>

Total operating expenses for the Public Housing Program increased by \$26,966 in 2012 from \$483,466 in 2011 to \$510,432 in 2012. One area representing a large increase in operating expense was legal fees, up by \$14,372 in 2012 from 2011. This was a result of new management making various improvements in public housing processes and procedures, with the assistance of LMHA-contracted legal counsel. Protective Services for the Hi-Rise building were scheduled throughout the year, costing \$5,180. Other areas recording increases were employee trainings, postage, and contract computer services, relating to installation of various computer upgrades and operating issues.

In 2012, LMHA Low-Rent Program spent \$71,314 in capital fund grants for various capital improvement projects versus \$136,121 in 2011. A smaller amount in grant funds was withdrawn as funds will be needed for future repairs to the two elevators at the Terrace Garden's Apartments.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

DEBT

LMHA ended the year with no debt.

CAPITAL ASSETS

As of 2012 year end, the Authority had \$2,070,388 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$49,568 from the end of 2011 year-end balances. See tables 3 & 4.

Table 3 - Condensed Statement of Changes in Capital Assets

	2012	2011	Change	Percent Change
Land	\$ 276,250	\$ 276,250	\$ 0	0 %
Buildings	5,847,918	5,781,868	66,050	1 %
Equipment	180,010	262,292	(82,282)	(31)%
Accumulated Depreciation	<u>(4,231,790)</u>	<u>(4,198,454)</u>	<u>(33,336)</u>	1 %
Total Capital Assets, Net	<u><u>\$ 2,072,388</u></u>	<u><u>\$ 2,121,956</u></u>	<u><u>\$ (49,568)</u></u>	(2)%

Table 4 - Changes in Capital Assets

Beginning Balance - December 31, 2011	\$ 2,121,956
Current Year Additions	105,855
Current Year Depreciation Expense	<u>(155,423)</u>
Ending Balance - December 31, 2012	<u><u>\$ 2,072,388</u></u>

Additions in capital assets for the HCV Program included the following purchases:

- Integrated inspection software, setup and licensing
- 3 Fujitsu Scanners
- Microsoft Windows 7 OLP Software, 7 users
- 3 PC's with Windows Software
- Microsoft Access Open License Program
- iPad for inspection software
- Dell Latitude Laptop
- New upgraded network server and software
- Traction-control coating for sidewalks and concrete areas

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

Additions in capital assets for the Public Housing Hi-Rise included the following purchases:

- Various upgrades to security system
- Various upgrades to the boiler system
- New front and back entry doors for building
- New walk, driveway, and curb for building entrance
- New energy-efficient light bulbs and fixtures
- Sprinkler system upgrades
- Elevator valve replacements
- New industrial steam cleaner
- Various tables and chairs for the tenant's common area

It should be noted here, LMHA management and staff made a thorough evaluation of its old, obsolete, irreparable inventory, most of which was contained on shelves in its age-old storage area. Many of these items (computers, computer equipment, various software licenses, printers, and a copier) had purchase dates stemming back to the 1990's. Although the items were fully depreciated, they remained on the inventory list found on the fixed-asset schedule.

In an effort to clean up the accounting records and its stockroom area, LMHA comprise a detailed list of obsolete/irreparable items. It received LMHA Board approval to officially write-off \$122,086.51 from its fixed asset schedule and dispose/recycle these items. As the items were fully depreciated, there was no net effect to Table 4, above.

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
- Changes in Social Security Benefits
- Inflationary pressure on utility rates, supplies and other costs

MANAGEMENT NOTES AND CONCLUSIONS:

In 2012, LMHA focused heavily on training/certification for staff in various areas of housing authority operations. Its personnel participated in various housing authority conferences to stay abreast of the many regulations and changes relating to HUD programs. Various operating software upgrades also were installed and utilized. All modules within its operating system were integrated between departments. These efforts resulted in seamless operating procedures throughout all programs at LMHA.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

The Low-Rent Program operations evolved with changes in management and in maintenance personnel. The 99 unit hi-rise building saw a 60 percent reduction in its vacancy rate. Of the 1188 units available for the Low-Rent Program, 1178 were used in 2012 resulting in a 99.15 percent occupancy rate.

The HCV Program is allowed to lease up to 12360 HCV units per year. LMHA leased 12312 (99.61 percent of allowable units) in 2012.

Cash on the entity-wide balance sheet for 2012 saw a slight increase of \$11,754 from 2011. The 2012 NRA balance of \$171,354 for the Section 8, HCV HAP remained very near the previous-year balance of \$177,557.

The SPC I and II Programs were combined into one SPC Program in 2012.

HCV-HAP expense increased by \$334,400 in 2012. This increase occurred primarily because HUD increased the amount that it provided for HCV HAP in 2012, which resulting in housing more participants in the community. As previously mentioned, SPC HAP expenses also increased by \$39,195 commensurate with the extra vouchers issued for the SPC Program in 2012. These two expense increases in the amount of \$373,595 help explain a large percentage of the overall increase in expense (entity-wide) of \$427,785.

In keeping with HUD's requirement to end the year with as little accounts payable (<=90 days) as possible, LMHA ended 2012 with \$149 versus \$9,088 in 2011.

In summary, several areas were focused on by management in 2012, including:

- Verifying and improving the accuracy of the fixed asset schedule;
- Implementing enhanced, automated operating processes within the Low-Rent Tenant Accounts Receivable;
- Improving processes within the inspection department and the HCV Program by automating its electronic equipment and computer hardware/software;
- Conducting an educational seminar for landlords in LMHA's jurisdiction, to help them learn more about the processes and requirements within the LMHA HCV Program. This also assists in building a quality housing stock for LMHA's program participants.
- Investing in training for every staff member within the organization. This helped streamline operations and, in the future, will allow for reductions in staff hours required to perform various tasks.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jody Hull-Arthur, Executive Director of the LMHA 740-349-8069 Ext. 224, or Cynthia Hite, Financial Operations Manager, Ext. 229.

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

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 469,473
Restricted Cash and Cash Equivalents	180,752
Receivables, Net	5,080
Prepaid Expenses	<u>13,160</u>
Total Current Assets	<u>668,465</u>

Noncurrent Assets

Non-depreciable Capital Assets	276,250
Depreciable Capital Assets, Net	<u>1,796,138</u>
Total Noncurrent Assets	<u>2,072,388</u>

TOTAL ASSETS	<u>\$ 2,740,853</u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 149
Accrued Wages - Payroll Taxes	9,490
Tenant Security Deposits	9,398
Intergovernmental Payable	<u>10,865</u>
Total Current Liabilities	<u>29,902</u>

Noncurrent Liabilities

Accrued Compensated Absences	<u>19,009</u>
Total Noncurrent Liabilities	<u>19,009</u>
Total Liabilities	<u>48,911</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	2,072,388
Unrestricted	448,200
Restricted	<u>171,354</u>
Total Net Position	<u>2,691,942</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,740,853</u>
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See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Operating Revenues</u>	
Government Grants	\$ 6,610,455
Tenant Revenue	264,174
Other Revenue	<u>77,485</u>
Total Operating Revenues	<u>6,952,114</u>
<u>Operating Expenses</u>	
Administrative	785,155
Tenant and Protective Services	5,196
Utilities	121,914
Maintenance	186,275
General	55,086
Housing Assistance Payments	<u>5,749,161</u>
Total Operating Expenses Before Depreciation	<u>6,902,787</u>
Income (Loss) Before Depreciation	49,327
Depreciation	<u>155,422</u>
Operating Income (Loss)	<u>(106,095)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	<u>826</u>
Total Non-Operating Revenues (Expenses)	<u>826</u>
Income (Loss) Before Capital Grants	(105,269)
Capital Grants	<u>71,314</u>
Change in Net Position	<u>(33,955)</u>
Total Net Position, Beginning of Year	<u>2,725,897</u>
Net Position, End of Year	<u>\$ 2,691,942</u>

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities

Cash Received from Government Grants	\$ 6,612,371
Cash Received From Tenants	264,174
Cash Payments for Housing Assistance	(5,749,161)
Cash Payments for Administrative Expenses	(777,315)
Cash Payments for Other Operating Expenses	(378,633)
Cash Received - Other	<u>76,212</u>
Net Cash (Provided) by Operating Activities	<u>47,648</u>

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	(105,854)
Capital Grants Received	71,314
Payments on Capital Lease Obligation	<u>(2,180)</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(36,720)</u>

Cash Flows from Investing Activities

Interest and Investment Income Received	<u>826</u>
Net Cash Provided by Investing Activities	<u>826</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,754
Cash and Cash Equivalents, Beginning	<u>638,471</u>

Cash and Cash Equivalents, Ending **\$ 650,225**

Reconciliation of Operating Loss to Net

Cash Provided by Operating Activities

Net Operating (Loss)	\$ (106,095)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	155,422
(Increase) Decrease in:	
Accounts Receivable - HUD	1,916
Accounts Receivable - Other	(893)
Prepaid Expenses	(1,223)
Increase (Decrease) in:	
Accounts Payable	(8,939)
Accrued Compensated Absences	(1,650)
Tenants' Security Deposits	(380)
Accrued Wages and Payroll Taxes	<u>9,490</u>

Net Cash Used by Operating Activities **\$ 47,648**

See accompanying notes to the basic financial statements.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Licking Metropolitan Housing Authority (LMHA) is a political subdivision of the State of Ohio, located in Newark, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the LMHA and the United States 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 construction, maintenance, 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. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

Basis of Presentation

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

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Basis of Presentation (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

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

Cash and Cash Equivalents

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

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.

Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess Housing Choice Voucher housing assistance payments funding and security deposits collected from residents of the Authority's housing units.

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

Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets component of net position, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted Net Position includes what is known as Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

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

Net Position (Continued)

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

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

Budgetary Accounting

LMHA annually prepares funding requests as prescribed by HUD. Operating budgets are adopted for all Authority's programs by the Authority's Board.

Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash of Hand

At December 31, 2012, the carrying amount of the Authority's deposits was \$650,225 (including \$180,752 of restricted funds, and \$200 of petty cash).

At December 31, 2012, the bank balance of the Authority's cash deposits was \$684,600. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2012, deposits totaling \$524,088 were covered by Federal Depository Insurance and deposits totaling \$160,512 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

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

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, and records all its investments at fair value. At December 31, 2012, the Authority had no investments.

Interest Rate Risk

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

Custodial Credit Risk

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

Restricted Cash

The restricted cash balance of \$180,752 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)	\$ 171,354
Tenant Security Deposits Liability	<u>9,398</u>
Total	<u><u>\$ 180,752</u></u>

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 3: **CAPITAL ASSETS**

Following is a summary of capital assets:

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 276,250	\$ 0	\$ 0	\$ 276,250
Total Capital Assets Not Being Depreciated	<u>276,250</u>	<u>0</u>	<u>0</u>	<u>276,250</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	5,781,868	66,050	0	5,847,918
Furniture, Equipment & Machinery	<u>262,292</u>	<u>39,805</u>	<u>(122,087)</u>	<u>180,010</u>
Subtotal Capital Assets Being Depreciated	<u>6,044,160</u>	<u>105,855</u>	<u>(122,087)</u>	<u>6,027,928</u>
Accumulated Depreciation - Buildings and Improvements	(4,001,487)	(132,787)	0	(4,134,274)
Accumulated Depreciation - Furniture and Equipment	<u>(196,967)</u>	<u>(22,636)</u>	<u>122,087</u>	<u>(97,516)</u>
Subtotal Accumulated Depreciation	<u>(4,198,454)</u>	<u>(155,423)</u>	<u>122,087</u>	<u>(4,231,790)</u>
Depreciable Assets, Net	<u>1,845,706</u>	<u>(49,568)</u>	<u>0</u>	<u>1,796,138</u>
Total Capital Assets, Net	<u><u>\$ 2,121,956</u></u>	<u><u>\$ (49,568)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,072,388</u></u>

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**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

NOTE 4: CAPITAL LEASE OBLIGATIONS

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

This lease was paid in full in June 2012.

Below is a summary of changes in long-term debt in the period:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
\$ 2,180	\$ 0	\$ 2,180	\$ 0	\$ 0

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: DEFINED BENEFIT PENSION PLAN

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:

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

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

- 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, but less than, 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.

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 <https://www.opers.org/investments/cafr.shtml>.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, 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 OPERS for the years ended December 31, 2012, 2011, and 2010, were \$62,759, \$63,009, and \$60,165, respectively. One hundred percent has been contributed for 2011. All required contributions for the two previous years have been paid.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. **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.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

A. **Plan Description** (Continued)

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.

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 establish 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 or <https://www.opers.org/investments/cafr.shtml>.

B. **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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 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.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

B. **Funding Policy** (Continued)

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 of Trustees 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 4.0 percent for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1.0 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended December 31, 2012, 2011 and 2010, which were used to fund post-employment benefits were \$17,931, \$18,003, and \$21,846, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

NOTE 8: **COMPENSATED ABSENCES** (Continued)

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, 2012 \$19,009 was accrued for unused vacation.

A summary of changes in compensated absences follows:

Beginning Balance			Ending Balance
<u>01/01/2012</u>	<u>Additions</u>	<u>Used</u>	<u>12/31/2012</u>
\$ 20,659	\$ 21,918	\$ 23,568	\$ 19,009

None of the balance is considered to be current because no pay-outs at separation are anticipated in the coming period, and it is expected that leave earned in the period is what will be used in the period.

NOTE 9: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. Workers' Compensation coverage is maintained through the State. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

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**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

NOTE 10: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2012.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigations and claims. At December 31, 2012 the PHA was not aware of any such matters.

NOTE 11: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

NOTE 12: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

For 2012, the Authority has implemented GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Authority.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 12: **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS** (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 changed the presentation of the Authority's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources and deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Authority.

**LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2012**

Annual Contributions Contract C-5031

1. The total amount of modernization costs of the Capital Fund Housing Program grants are shown below:

<u>OH16P043501-03 Project OH</u>	
Funds Approved	\$ 100,239
Funds Expended	100,239
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 100,239
Funds Expended	100,239
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH16P043502-03 Project OH</u>	
Funds Approved	\$ 19,977
Funds Expended	19,977
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 19,977
Funds Expended	19,977
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH16P043501-04 Project OH</u>	
Funds Approved	\$ 116,087
Funds Expended	116,087
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 116,087
Funds Expended	116,087
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH16P043501-05 Project OH</u>	
Funds Approved	\$ 112,702
Funds Expended	112,702
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 112,702
Funds Expended	112,702
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH16P043501-06 Project OH</u>	
Funds Approved	\$ 102,638
Funds Expended	102,638
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 102,638
Funds Expended	102,638
Excess of Funds Advanced	<u>\$ 0</u>

(Continued)

**LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>OH16P043501-07 Project OH</u>	
Funds Approved	\$ 105,061
Funds Expended	105,061
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 105,061
Funds Expended	105,061
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH16P043501-08 Project OH</u>	
Funds Approved	\$ 102,859
Funds Expended	102,859
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 102,859
Funds Expended	102,859
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH16P043501-09 Project OH</u>	
Funds Approved	\$ 110,531
Funds Expended	110,531
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 110,531
Funds Expended	110,531
Excess of Funds Advanced	<u>\$ 0</u>
<u>OH16P043501-10 Project OH</u>	
Funds Approved	\$ 109,496
Funds Expended	109,496
Excess of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 109,496
Funds Expended	109,496
Excess of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

LICKING METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2012

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	121,549	288,796		59,128	469,473		469,473
113 Cash - Other Restricted		171,354			171,354		171,354
114 Cash - Tenant Security Deposits	9,398				9,398		9,398
100 Total Cash	130,947	460,150	0	59,128	650,225	0	650,225
122 Accounts Receivable - HUD Other Projects	0		347		347		347
125 Accounts Receivable - Miscellaneous	0	548		0	548		548
126 Accounts Receivable - Tenants	4,185				4,185		4,185
128 Fraud Recovery		27,658			27,658		27,658
128.1 Allowance for Doubtful Accounts - Fraud		-27,658			-27,658		-27,658
120 Total Receivables, Net of Allowances for Doubtful Accounts	4,185	548	347	0	5,080	0	5,080
142 Prepaid Expenses and Other Assets	8,988	4,172			13,160		13,160
144 Inter Program Due From		347			347	-347	0
150 Total Current Assets	144,120	465,217	347	59,128	668,812	-347	668,465
161 Land	201,250			75,000	276,250		276,250
162 Buildings	5,224,815	33,825		589,278	5,847,918		5,847,918
163 Furniture, Equipment & Machinery - Dwellings	7,491				7,491		7,491
164 Furniture, Equipment & Machinery - Administration	362,300	99,151		37,138	172,519		172,519
166 Accumulated Depreciation	-4,010,834	-34,188		-186,768	-4,231,790		-4,231,790
160 Total Capital Assets, Net of Accumulated Depreciation	1,458,952	98,788	0	514,648	2,072,388	0	2,072,388
180 Total Non-Current Assets	1,458,952	98,788	0	514,648	2,072,388	0	2,072,388
190 Total Assets	1,603,072	564,005	347	573,776	2,741,200	-347	2,740,853
312 Accounts Payable <= 90 Days	0	149			149		149
321 Accrued Wage/Payroll Taxes Payable		9,490			9,490		9,490
333 Accounts Payable - Other Government	10,865				10,865		10,865
341 Tenant Security Deposits	9,398				9,398		9,398
347 Inter Program - Due To			347		347	-347	0
310 Total Current Liabilities	20,263	9,639	347	0	30,249	-347	29,902
354 Accrued Compensated Absences - Non Current	7,768	11,241			19,009		19,009
350 Total Non-Current Liabilities	7,768	11,241	0	0	19,009	0	19,009
300 Total Liabilities	28,031	20,880	347	0	49,258	-347	48,911
508.1 Invested In Capital Assets, Net of Related Debt	1,458,952	98,788		514,648	2,072,388		2,072,388
511.1 Restricted Net Assets	0	171,354			171,354		171,354
512.1 Unrestricted Net Assets	116,089	272,983	0	59,128	448,200		448,200
513 Total Equity/Net Assets	1,575,041	543,125	0	573,776	2,691,942	0	2,691,942
600 Total Liabilities and Equity/Net Assets	1,603,072	564,005	347	573,776	2,741,200	-347	2,740,853

**LICKING METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	263,864				263,864		263,864
70400 Tenant Revenue - Other	310				310		310
70500 Total Tenant Revenue	264,174	0	0	0	264,174	0	264,174
70600 HUD PHA Operating Grants	272,291	6,099,021	239,143		6,610,455		6,610,455
70610 Capital Grants	71,314				71,314		71,314
71100 Investment Income - Unrestricted	215	305			520		520
71400 Fraud Recovery		5,769			5,769		5,769
71500 Other Revenue	3,602	36,914		31,200	71,716		71,716
72000 Investment Income - Restricted		306			306		306
70000 Total Revenue	611,596	6,142,315	239,143	31,200	7,024,254	0	7,024,254
91100 Administrative Salaries	86,785	280,161	17,803	462	385,211		385,211
91200 Auditing Fees	5,871	6,459			12,330		12,330
91400 Advertising and Marketing	1,001	2,143			3,144		3,144
91500 Employee Benefit Contributions - Administrative	36,472	128,464		46	164,982		164,982
91600 Office Expenses	15,050	148,188			163,238		163,238
91700 Legal Expense	25,068	9,470			34,538		34,538
91800 Travel	1,596	8,740			10,336		10,336
91900 Other	11,376				11,376		11,376
91000 Total Operating - Administrative	183,219	583,625	17,803	508	785,155	0	785,155
92400 Tenant Services - Other	16				16		16
92500 Total Tenant Services	16	0	0	0	16	0	16
93100 Water	25,822	586			26,408		26,408
93200 Electricity	66,924	5,907			72,831		72,831
93300 Gas	21,034	1,641			22,675		22,675
93000 Total Utilities	113,780	8,134	0	0	121,914	0	121,914
94100 Ordinary Maintenance and Operations - Labor	62,964	5,038			68,002		68,002
94200 Ordinary Maintenance and Operations - Materials and Other	19,411	361			19,772		19,772
94300 Ordinary Maintenance and Operations Contracts	67,460	4,572			72,032		72,032
94500 Employee Benefit Contributions - Ordinary Maintenance	26,469				26,469		26,469
94000 Total Maintenance	176,304	9,971	0	0	186,275	0	186,275
95200 Protective Services - Other Contract Costs	5,180				5,180		5,180
95000 Total Protective Services	5,180	0	0	0	5,180	0	5,180

**LICKING METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	Business Activities	Subtotal	ELIM	Total
96110 Property Insurance	10,052	2,940			12,992		12,992
96130 Workmen's Compensation	2,017	1,466			3,483		3,483
96100 Total insurance Premiums	12,069	4,406	0	0	16,475	0	16,475
96200 Other General Expenses	3,741	2,775		13,250	19,766		19,766
96210 Compensated Absences	0	2,722			2,722		2,722
96300 Payments in Lieu of Taxes	11,931				11,931		11,931
96600 Bad debt - Other	4,169				4,169		4,169
96000 Total Other General Expenses	19,841	5,497	0	13,250	38,588	0	38,588
96720 Interest on Notes Payable (Short and Long Term)	23				23		23
96700 Total Interest Expense and Amortization Cost	23	0	0	0	23	0	23
96900 Total Operating Expenses	510,432	611,633	17,803	13,758	1,153,626	0	1,153,626
97000 Excess of Operating Revenue over Operating Expenses	101,164	5,530,682	221,340	17,442	5,870,628	0	5,870,628
97300 Housing Assistance Payments		5,493,768	221,340		5,715,108		5,715,108
97350 HAP Portability-In		34,053			34,053		34,053
97400 Depreciation Expense	113,567	20,466		21,389	155,422		155,422
90000 Total Expenses	623,999	6,159,920	239,143	35,147	7,058,209	0	7,058,209
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-12,403	-17,605	0	-3,947	-33,955	0	-33,955
11020 Required Annual Debt Principal Payments	2,180	0	0	0	2,180		2,180
11030 Beginning Equity	1,587,444	560,730	0	577,723	2,725,897		2,725,897
11170 Administrative Fee Equity		371,771			371,771		371,771
11180 Housing Assistance Payments Equity		171,354			171,354		171,354
11190 Unit Months Available	1,188	12,360	484		14,032		14,032
11210 Number of Unit Months Leased	1,178	12,312	484		13,974		13,974
11270 Excess Cash	75,126				75,126		75,126

**LICKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 238,784
Capital Fund Program	14.872	<u>104,821</u>
Total Public Housing Programs		<u>343,605</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	6,099,021
Shelter Plus Care Program	14.238	<u>239,143</u>
Total Section 8 Tenant Based Programs		<u>6,338,164</u>
Total U.S. Department of Housing and Urban Development		<u>6,681,769</u>
Total Federal Expenditures		<u>\$ 6,681,769</u>

This schedule is prepared on the accrual basis of accounting.

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

Certified Public Accountants

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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, in accordance with the 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, the financial statements of the Licking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Licking Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated May 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Licking Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Licking Metropolitan Housing Authority, Ohio's internal control.

A deficiency in internal control exists when the design or operation of a 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Licking Metropolitan Housing Authority, Ohio's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

May 14, 2013

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 FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Licking Metropolitan Housing Authority, Ohio's, compliance 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, 2012. The Licking Metropolitan Housing Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Licking Metropolitan Housing Authority, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Not-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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Licking Metropolitan Housing Authority, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Licking Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of 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, 2012.

Report on Internal Control Over Compliance

Management of the Licking Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Licking Metropolitan Housing Authority, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


James G. Zupka CPA, Inc.
Certified Public Accountants

May 14, 2013

**LICKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2012(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	Yes
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	Yes
2012(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2012(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, 2012**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Explain</u>
2011-01	Re-Examine Family Income and Composition	Yes	Corrected



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 2, 2013