

**LICKING METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

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



Dave Yost • Auditor of State

Board of Directors
Licking Metropolitan Housing Authority
144 W. Main St. Admin Office
Newark, OH 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, 2014 through December 31, 2014. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 9, 2015

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**LICKING METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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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

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, 2014, 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 financial position of the Licking Metropolitan Housing Authority, Ohio, as of December 31, 2014, and the 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 to 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 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 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 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 July 27, 2015, 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,
President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzupka@bolton.net, c=US
Date: 2015.07.29 16:37:38 -0400

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

July 27, 2015

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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: FYE12/31/14: \$6,620,509 **increase** of \$216,592 in 2014
- Total Expenses: FYE12/31/14: \$6,703,432 **decrease** of \$122,845 in 2014

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>
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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, 2014
(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 Investment in Capital Assets: 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 does not meet the definition of “Net Investment in Capital Assets”, 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, 2014
(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 2014. 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.

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, 2014
(Unaudited)**

STATEMENT OF NET POSITION

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percent Change</u>
Current and Other Assets	\$ 433,685	\$ 357,152	\$ 76,533	\$ 21.43 %
Capital Assets	<u>1,840,103</u>	<u>1,980,952</u>	<u>(140,849)</u>	(7.11)%
Total Assets	<u>\$ 2,273,788</u>	<u>\$ 2,338,104</u>	<u>\$ (64,316)</u>	(2.75)%
Current Liabilities	\$ 62,494	\$ 46,485	\$ 16,009	34.44 %
Non-current Liabilities	<u>24,635</u>	<u>22,037</u>	<u>2,598</u>	11.79 %
Total Liabilities	<u>87,129</u>	<u>68,522</u>	<u>18,607</u>	27.15 %
Net Position:				
Net Investment in Capital Assets	1,840,103	1,980,952	(140,849)	(7.11)%
Restricted Net Position	6,399	14,365	(7,966)	(55.45)%
Unrestricted Net Position	<u>340,157</u>	<u>274,265</u>	<u>65,892</u>	24.02 %
Total Net Position	<u>2,186,659</u>	<u>2,269,582</u>	<u>(82,923)</u>	(3.65)%
Total Liabilities and Net Position	<u>\$ 2,273,788</u>	<u>\$ 2,338,104</u>	<u>\$ (64,316)</u>	(2.75)%

For more detail information see Statement of Net Position presented elsewhere in this report.

“Restricted net position” includes \$6,399, HCV HAP equity. These are funds that were 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 also includes 50 percent of the fraud revenue received in 2014.

Unrestricted cash in the PH Low-Rent Program at year end is \$154,583, which is an increase of \$43,309. The Section 8 Program ended the year with \$178,512 in unrestricted cash, showing a \$35,299 increase in 2014.

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**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

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

	2014	2013	Change	Percent Change
Revenues				
Total Tenant Revenues	\$ 291,786	\$ 278,887	\$ 12,899	\$ 4.63 %
Operating Subsidies	6,238,453	6,065,645	172,808	2.85 %
Capital Grants	18,852	22,729	(3,877)	(17.06)%
Investment Income	363	534	(171)	(32.02)%
Other Revenues	71,055	36,122	34,933	96.71 %
Total Revenues	<u>6,620,509</u>	<u>6,403,917</u>	<u>216,592</u>	3.38 %
Expenses				
Administrative	749,847	745,398	4,449	0.60 %
Tenant and Protective Services	1,537	1,796	(259)	(14.42)%
Utilities	131,629	118,174	13,455	11.39 %
Maintenance	194,471	200,701	(6,230)	(3.10)%
Insurance and General Expenses	67,527	73,103	(5,576)	(7.63)%
Housing Assistance Payments	5,388,898	5,527,520	(138,622)	(2.51)%
Depreciation	169,523	159,585	9,938	6.23 %
Total Expenses	<u>6,703,432</u>	<u>6,826,277</u>	<u>(122,845)</u>	(1.80)%
Net Increases (Decreases)	<u>\$ (82,923)</u>	<u>\$ (422,360)</u>	<u>\$ 339,437</u>	(80.37)%

SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM

LMHA experienced a net increase (all programs) of \$216,592 in total revenue from 2013 to 2014, and a net decrease in expenses of \$122,845. The following may be noted:

SECTION-8 (HCV)

The primary reduction in overall expenses was due to less HCV HAP expense in the amount of \$207,999. Expenses for the SPC Program increased in 2014, helping to offset the net decrease in expense to \$122,845.

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.

Overall income for the SPC Program increased by \$45,596. Expenses increased equal to the income.

HCV HAP revenue from HUD for 2014 decreased \$56,029 from \$5,110,368 in 2013 to \$5,054,339 in 2014. Throughout 2014, LMHA used all but \$6,399 of its reserves to fund its HCV HAP Program.

HCV Administrative Fee revenue increased \$138,928 in 2014 at \$616,535, up from \$477,607 in 2013. SPC Administrative Fees revenue of \$19,903 shows a slight increase from 2013 when \$18,204 was earned. LMHA administered assistance to more units receiving SPC HAP in 2014, up by \$48,897 to \$286,800 in 2014.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

HCV and SPC Program operating expenses decreased slightly by \$3,006, with \$616,080 spent in 2014.

A comparison of 2014 and 2013 utilities for the HCV Program is as follows:

<u>HCV Utility</u>	<u>2014</u>	<u>2013</u>
Water	\$ 671	\$ 711
Electric	6,293	5,183
Gas	<u>3,097</u>	<u>1,971</u>
Total	<u>\$ 10,061</u>	<u>\$ 7,865</u>

A 27.92 percent increase of \$2,196 was seen in utility expenses in 2014 from 2013.

PUBLIC HOUSING - LOW-RENT PROGRAM

The Public Housing, Low-Rent Program, operating subsidy received from HUD increased only slightly by \$611 from \$202,947 in 2013 to \$203,558. Tenant revenue increased \$12,889 from \$278,887 in 2013 to \$291,786.

A comparison of 2014 to 2013 utility expense for the Public Housing Program is as follows:

<u>PH Utility</u>	<u>2014</u>	<u>2013</u>
Water	\$ 27,260	\$ 23,165
Electric	68,695	61,642
Gas	<u>25,613</u>	<u>25,502</u>
Total	<u>\$ 121,568</u>	<u>\$ 110,309</u>

A 10.21 percent increase of \$11,259 was seen in utility expenses in 2014 from 2013.

Total operating expenses for the Public Housing Program increased by \$8,986 in 2014 from \$500,814 in 2013 to \$509,800.

In 2014, LMHA Low-Rent Program spent \$18,852 in capital fund grants for various capital improvement projects compared to \$22,729 in 2013.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

DEBT

LMHA ended the year with no debt.

CAPITAL ASSETS

As of 2014 year end, the Authority had \$1,840,103 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$140,849 from the end of 2013 year-end balances. See tables 3 & 4.

Table 3 - Condensed Statement of Changes in Capital Assets

	2014	2013	Change	Percent Change
Land	\$ 276,250	\$ 276,250	\$ 0	0.0 %
Buildings	5,905,286	5,883,758	21,528	0.4 %
Equipment	219,465	212,319	7,146	3.4 %
Accumulated Depreciation	<u>(4,560,898)</u>	<u>(4,391,375)</u>	<u>(169,523)</u>	3.9 %
Total Capital Assets, Net	<u><u>\$ 1,840,103</u></u>	<u><u>\$ 1,980,952</u></u>	<u><u>\$ (140,849)</u></u>	(7.1)%

Table 4 - Changes in Capital Assets

Beginning Balance - December 31, 2014	\$ 1,980,952
Current Year Additions	28,674
Current Year Depreciation Expense	<u>(169,523)</u>
Ending Balance - December 31, 2014	<u><u>\$ 1,840,103</u></u>

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

- Dell Optiplex PC with Windows Software and Warranty
- Security Cameras for Administrative Building

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

- Lochinvar Boiler Replacement
- New outdoor community area including concrete pad, fencing and posts, in-ground swing sets and picnic tables
- 2 Dell Optiplex PC's with Windows Software and Warranty

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

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 2014, Section 8 Program operating expenses remained consistent with 2013, with a slight decrease of \$3,006 in 2014.

Staff at LMHA continued to enhance its procedures and software to streamline its “paperless” processes.

Other income included \$5,312.12 from BWC which LMHA received in 2014. This reimbursement stemmed from a state-wide reconciliation performed by BWC.

Cash on the entity-wide balance sheet for 2014 saw an increase of \$75,700 from 2013. Increases by program were are follows:

- \$43,184 unrestricted PH-Low Rent for a balance of \$154,583
- \$35,299 unrestricted Section 8 for a balance of \$178,512
- \$3,903 unrestricted Business Activity for a balance of \$64,064.

Restricted cash for the PH-Low Rent was \$11,598 and Section 8 restricted cash was \$6,399.

Tenant revenue increased \$12,899 from \$278,887 in 2013 to \$291,786. It can be noted that within the last two year (2013 and 2014) the tenant revenue has seen an overall increase of \$27,612. These increases stem from a higher percentage of Veterans with benefits housed in Terrace Gardens Apartments, higher tenant incomes, and reductions in the number of days for unit vacancy.

1,179 of the 1,188 units for the Public Housing Program were leased in 2014 resulting in a 99.24 percent occupancy rate.

12,193 of the 12,360 HCV units for the year were leased in 2014, resulting in a 98.65 percent utilization.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

HCV-HAP expense decreased by \$207,999 in 2014 from 2013. In reviewing the per unit costs for one, two, three, and four bedrooms, LMHA saw an average reduction of \$11.18 per unit for HCV HAP expense.

Entity-wide, LMHA ended 2014 with \$24,191 in Accounts Payable <=90 days, much of which was due to utility expenses for the Public Housing Program.

In early 2014, record low temperatures were experienced during much of January and February, stemming from a "Polar Vortex". However, the gas bills for the PH-Low Rent Program were relatively the same as 2013. The new boiler was installed in early 2014, which may help explain this. The electric bills, however, increased significantly, mainly because of the colder weather in early 2014, and a rate increase effective in October 2013 from .0505 KW to .0579.

In summary, several areas were focused on by management in 2014, including:

- In 2013, LMHA finished with a \$137,039 reduction in its HCV Admin Fee revenue. As expected, a reconciliation was performed by HUD in early 2014. Much of the 2013 admin fees earned were paid in 2014, as can be seen by the \$138,928 increase to admin fee revenue for the year.
- An overall increase of \$65,460 was seen in the SPC HAP expense in the last two years. This increase is expected to grow in the upcoming year, as LMHA was awarded two new SPC Grants in December 2014.
- The PH-Low Rent Program received outside funds from two Grants, including \$2,630 from the Alford Foundation, and \$4,840 from the Energy Coop. These funds allowed for enhancements to the outdoor residential common areas at Terrace Gardens Apartments.
- LMHA gained certifications for both of its Maintenance Technicians for HVAC and pest control, greatly reducing contract expenses in these areas.
- LMHA continued expanding the LMHA-provided educational seminar/landlord workshop for landlords and other related entities in LMHA's jurisdiction. Renamed "Housing Forum" this workshop provides information about the processes and requirements within the LMHA Section-8 Program. Representatives attending who provided presentations included various local vendors, local division of water and waste management, various local courts, legal aid, insurance providers, various lending institutions, Fair Housing, County Coalition for Housing, County Board of Developmental Disabilities, and County Apartment Association. This event involved 100 percent staff participation, and assists in the following: build larger quality housing stock for LMHA program participation; open lines of communication between related agencies; help meet common goals among agencies to expedite the process and end homelessness.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 397,159
Restricted Cash and Cash Equivalents	17,997
Receivables, Net	2,715
Prepaid Expenses	<u>15,814</u>
Total Current Assets	<u>433,685</u>

Noncurrent Assets

Non-depreciable Capital Assets	276,250
Depreciable Capital Assets, Net	<u>1,563,853</u>
Total Noncurrent Assets	<u>1,840,103</u>

TOTAL ASSETS	<u>\$ 2,273,788</u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 24,191
Accrued Wages - Payroll Taxes	9,683
Tenant Security Deposits	11,598
Intergovernmental Payable	<u>17,022</u>
Total Current Liabilities	<u>62,494</u>

Noncurrent Liabilities

Accrued Compensated Absences	<u>24,635</u>
Total Noncurrent Liabilities	<u>24,635</u>
Total Liabilities	<u>87,129</u>

NET POSITION

Net Investment in Capital Assets	1,840,103
Unrestricted	340,157
Restricted	<u>6,399</u>
Total Net Position	<u>2,186,659</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,273,788</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, 2014

<u>Operating Revenues</u>	
Government Grants	\$ 6,238,453
Tenant Revenue	291,786
Other Revenue	<u>71,055</u>
Total Operating Revenues	<u>6,601,294</u>
<u>Operating Expenses</u>	
Administrative	749,847
Tenant and Protective Services	1,537
Utilities	131,629
Maintenance	194,471
General	67,527
Housing Assistance Payments	<u>5,388,898</u>
Total Operating Expenses Before Depreciation	<u>6,533,909</u>
Income Before Depreciation	67,385
Depreciation	<u>169,523</u>
Operating Income (Loss)	<u>(102,138)</u>
<u>Non-Operating Revenues</u>	
Interest and Investment Revenue	<u>363</u>
Total Non-Operating Revenues	
Income (Loss) Before Capital Grants	(101,775)
Capital Grants	<u>18,852</u>
Change in Net Position	<u>(82,923)</u>
Net Position, Beginning of Year	<u>2,269,582</u>
Net Position, End of Year	<u>\$ 2,186,659</u>

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash Flows from Operating Activities

Cash Received from Government Grants	\$ 6,239,043
Cash Received From Tenants	291,786
Cash Payments for Housing Assistance	(5,388,898)
Cash Payments for Administrative Expenses	(747,303)
Cash Payments for Other Operating Expenses	(381,565)
Cash Received - Other Revenue	<u>72,096</u>
Net Cash Provided by Operating Activities	<u>85,159</u>

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	(28,674)
Capital Grants Received	<u>18,852</u>
Net Cash (Used In) Capital and Other Related Financing Activities	<u>(9,822)</u>

Cash Flows from Investing Activities

Interest and Investment Income Received	<u>363</u>
Net Cash Provided by Investing Activities	<u>363</u>
Net Increase in Cash and Cash Equivalents	75,700
Cash and Cash Equivalents, Beginning	<u>339,456</u>

Cash and Cash Equivalents, Ending **\$ 415,156**

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Net Operating (Loss)	\$ (102,138)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	169,523
(Increase) Decrease in:	
Accounts Receivable	233
Prepaid Expenses	(1,066)
Increase (Decrease) in:	
Accounts Payable	14,665
Accrued Compensated Absences	2,598
Tenants' Security Deposits	1,155
Accrued Wages and Payroll Taxes	(54)
Intergovernmental Payable	<u>243</u>

Net Cash Provided Operating Activities **\$ 85,159**

See accompanying notes to the basic financial statements.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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 programs. 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 - as amended by GASB Statement No. 61, 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, 2014
(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, 2014
(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, 2014
(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 \$1,000. 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, 2014
(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, 2014, the carrying amount of the Authority's deposits was \$415,156 (including \$17,997 of restricted funds, and \$200 of petty cash).

At December 31, 2014, the bank balance of the Authority's cash deposits was \$438,903. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2014, deposits totaling \$438,903 were covered by Federal Depository Insurance.

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, 2014
(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, 2014, 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 \$17,997 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments (Restricted Net Position)	\$ 6,399
Tenant Security Deposits Liability	<u>11,598</u>
Total	<u>\$ 17,997</u>

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 3: **CAPITAL ASSETS**

Following is a summary of capital assets:

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2014</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	5,883,758	21,528	0	5,905,286
Furniture, Equipment & Machinery	<u>212,319</u>	<u>7,146</u>	<u>0</u>	<u>219,465</u>
Subtotal Capital Assets Being Depreciated	<u>6,096,077</u>	<u>28,674</u>	<u>0</u>	<u>6,124,751</u>
Accumulated Depreciation - Buildings and Improvements	(4,262,879)	(133,050)	0	(4,395,929)
Accumulated Depreciation - Furniture and Equipment	<u>(128,496)</u>	<u>(36,473)</u>	<u>0</u>	<u>(164,969)</u>
Subtotal Accumulated Depreciation	<u>(4,391,375)</u>	<u>(169,523)</u>	<u>0</u>	<u>(4,560,898)</u>
Depreciable Assets, Net	<u>1,704,702</u>	<u>(140,849)</u>	<u>0</u>	<u>1,563,853</u>
Total Capital Assets, Net	<u>\$ 1,980,952</u>	<u>\$ (140,849)</u>	<u>\$ 0</u>	<u>\$ 1,840,103</u>

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LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 4: **CAPITAL LEASE OBLIGATIONS**

The Authority had no capital lease obligations throughout 2014.

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.
- 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>.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, 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, 2014, 2013, and 2012, were \$68,857, \$65,582, and \$62,759, respectively. One hundred percent has been contributed for 2014, 2013 and 2012.

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.

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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statements in the OPERS 2013 CAFR for details.

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.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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

A. **Plan Description** (Continued)

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 by using the OPERS website <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 2014, 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 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 2.0 percent for calendar year 2014. 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, 2014, 2013 and 2012, which were used to fund post-employment benefits were \$9,837, \$4,684, and \$17,931, 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.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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, 2014 \$24,635 was accrued for unused vacation.

A summary of changes in compensated absences follows:

Beginning Balance <u>01/01/2014</u>	<u>Additions</u>	<u>Used</u>	Ending Balance <u>12/31/2014</u>
\$ 22,037	\$ 24,570	\$ 21,972	\$ 24,635

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, 2014
(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, 2014.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigations and claims. At December 31, 2014 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 2014, the Authority has implemented GASB No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

The objective of GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, is to improve financial reporting by state and local governmental pension plans. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013 and did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of Statement 69 are effective for government combinations and disposal of government operations occurring in financial reporting periods beginning after December 15, 2013 and the implementation of this statement did not result in any change in the Authority's financial statements.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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

The objective of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement 70 are effective for financial statements for reporting beginning after June 15, 2013 and the implementation of this statement did not result in any change in the Authority's financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2014

	Project Total	14871 Housing Choice Vouchers	14238 Shelter Plus Care	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	154,583	178,512	-	64,064	397,159		397,159
113 Cash - Other Restricted	-	6,399	-	-	6,399		6,399
114 Cash - Tenant Security Deposits	11,598	-	-	-	11,598		11,598
100 Total Cash	166,181	184,911	-	64,064	415,156	-	415,156
122 Accounts Receivable - HUD Other Projects	-	2,378	-	-	2,378		2,378
126 Accounts Receivable - Tenants	337	-	-	-	337		337
128 Fraud Recovery	-	27,693	-	-	27,693		27,693
128.1 Allowance for Doubtful Accounts - Fraud	-	-27,693	-	-	-27,693		-27,693
120 Total Receivables, Net of Allowances for Doubtful Accounts	337	2,378	-	-	2,715	-	2,715
142 Prepaid Expenses and Other Assets	9,931	5,883	-	-	15,814		15,814
150 Total Current Assets	176,449	193,172	-	64,064	433,685	-	433,685
161 Land	201,250	-	-	75,000	276,250		276,250
162 Buildings	5,282,183	33,825	-	589,278	5,905,286		5,905,286
163 Furniture, Equipment & Machinery - Dwellings	9,480	-	-	-	9,480		9,480
164 Furniture, Equipment & Machinery - Administration	38,943	133,904	-	37,138	209,985		209,985
166 Accumulated Depreciation	-4,254,257	-94,547	-	-212,094	-4,560,898		-4,560,898
160 Total Capital Assets, Net of Accumulated Depreciation	1,277,599	73,182	-	489,322	1,840,103	-	1,840,103
180 Total Non-Current Assets	1,277,599	73,182	-	489,322	1,840,103	-	1,840,103
200 Deferred Outflow of Resources					-		-
290 Total Assets and Deferred Outflow of Resources	1,454,048	266,354	-	553,386	2,273,788	-	2,273,788
312 Accounts Payable <= 90 Days	12,174	12,017	-	-	24,191		24,191
321 Accrued Wage/ Payroll Taxes Payable	-	9,683	-	-	9,683		9,683
333 Accounts Payable - Other Government	17,022	-	-	-	17,022		17,022
341 Tenant Security Deposits	11,598	-	-	-	11,598		11,598
310 Total Current Liabilities	40,794	21,700	-	-	62,494	-	62,494
354 Accrued Compensated Absences - Non Current	12,437	12,198	-	-	24,635		24,635
350 Total Non-Current Liabilities	12,437	12,198	-	-	24,635	-	24,635
300 Total Liabilities	53,231	33,898	-	-	87,129	-	87,129
400 Deferred Inflow of Resources					-		-
508.4 Net Investment in Capital Assets	1,277,599	73,182	-	489,322	1,840,103		1,840,103
511.4 Restricted Net Position	-	6,399	-	-	6,399		6,399
512.4 Unrestricted Net Position	123,218	152,875	-	64,064	340,157		340,157
513 Total Equity - Net Assets / Position	1,400,817	232,456	-	553,386	2,186,659	-	2,186,659
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	1,454,048	266,354	-	553,386	2,273,788	-	2,273,788

**LICKING METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	290,992	-	-	-	290,992		290,992
70400 Tenant Revenue - Other	794	-	-	-	794		794
70500 Total Tenant Revenue	291,786	-	-	-	291,786	-	291,786
70600 HUDPHA Operating Grants	260,876	5,670,874	306,703	-	6,238,453		6,238,453
70610 Capital Grants	18,852	-	-	-	18,852		18,852
71100 Investment Income - Unrestricted	293	70	-	-	363		363
71400 Fraud Recovery	-	1,630	-	-	1,630		1,630
71500 Other Revenue	12,767	49,434	-	7,224	69,425		69,425
70000 Total Revenue	584,574	5,722,008	306,703	7,224	6,620,509	-	6,620,509
91100 Administrative Salaries	100,176	297,485	19,903	-	417,564		417,564
91200 Auditing Fees	940	9,887	-	-	10,827		10,827
91400 Advertising and Marketing	394	1,304	-	-	1,698		1,698
91500 Employee Benefit contributions - Administrative	33,152	125,738	-	-	158,890		158,890
91600 Office Expenses	24,891	98,204	-	-	123,095		123,095
91700 Legal Expense	8,340	11,726	-	-	20,066		20,066
91800 Travel	884	5,225	-	-	6,109		6,109
91900 Other	11,598	-	-	-	11,598		11,598
91000 Total Operating - Administrative	180,375	549,569	19,903	-	749,847	-	749,847
92400 Tenant Services - Other	772	-	-	-	772		772
92500 Total Tenant Services	772	-	-	-	772	-	772
93100 Water	27,260	671	-	-	27,931		27,931
93200 Electricity	68,695	6,293	-	-	74,988		74,988
93300 Gas	25,613	3,097	-	-	28,710		28,710
93000 Total Utilities	121,568	10,061	-	-	131,629	-	131,629
94100 Ordinary Maintenance and Operations - Labor	80,883	7,395	-	-	88,278		88,278
94200 Ordinary Maintenance and Operations - Materials and Other	22,738	-	-	-	22,738		22,738
94300 Ordinary Maintenance and Operations Contracts	34,297	6,581	-	-	40,878		40,878
94500 Employee Benefit Contributions - Ordinary Maintenance	26,767	-	-	-	26,767		26,767
94000 Total Maintenance	164,685	13,976	-	-	178,661	-	178,661
95200 Protective Services - Other Contract Costs	765	-	-	-	765		765
95000 Total Protective Services	765	-	-	-	765	-	765
96110 Property Insurance	10,027	4,149	-	-	14,176		14,176
96130 Workmen's Compensation	2,973	6,573	-	-	9,546		9,546
96100 Total insurance Premiums	13,000	10,722	-	-	23,722	-	23,722

**LICKING METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	1,464	11,849	-	3,321	16,634		16,634
96210 Compensated Absences	2,964	-	-	-	2,964		2,964
96300 Payments in Lieu of Taxes	17,101	-	-	-	17,101		17,101
96400 Bad debt - Tenant Rents	7,106	-	-	-	7,106		7,106
96000 Total Other General Expenses	28,635	11,849	-	3,321	43,805	-	43,805
96900 Total Operating Expenses	509,800	596,177	19,903	3,321	1,129,201	-	1,129,201
97000 Excess of Operating Revenue over Operating Expenses	74,774	5,125,831	286,800	3,903	5,491,308	-	5,491,308
97100 Extraordinary Maintenance	15,810	-	-	-	15,810		15,810
97300 Housing Assistance Payments	-	5,061,604	286,800	-	5,348,404		5,348,404
97350 HAP Portability-In	-	40,494	-	-	40,494		40,494
97400 Depreciation Expense	128,696	24,492	-	16,335	169,523		169,523
90000 Total Expenses	654,306	5,722,767	306,703	19,656	6,703,432	-	6,703,432
10010 Operating Transfer In	43,281				43,281		43,281
10020 Operating transfer Out	-43,281				-43,281		-43,281
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-69,732	-759	-	-12,432	-82,923	-	-82,923
11030 Beginning Equity	1,470,549	240,559	-	558,474	2,269,582		2,269,582
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-7,344	-	7,344	-		-
11170 Administrative Fee Equity	-	226,057	-	-	226,057		226,057
11180 Housing Assistance Payments Equity	-	6,399	-	-	6,399		6,399
11190 Unit Months Available	1,188	12,360	552	-	14,100		14,100
11210 Number of Unit Months Leased	1,179	12,193	552	-	13,924		13,924

**LICKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	\$ <u>203,558</u>
Capital Fund Program	14.872	<u>76,170</u>
Total Public Housing Programs		<u>279,728</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	5,670,874
Shelter Plus Care Program	14.238	<u>306,703</u>
Total Section 8 Tenant Based Programs		<u>5,977,577</u>
Total U.S. Department of Housing and Urban Development		<u>6,257,305</u>
Total Federal Expenditures		<u>\$ <u>6,257,305</u></u>

This schedule is prepared on the accrual basis of accounting.

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

Certified Public Accountants

5240 East 98th Street

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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, 2014, 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 July 27, 2015.

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, President
Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc.,
ou=Accounting,
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Date: 2015.07.29 16:38:16 -0400

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

July 27, 2015

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

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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, 2014. 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.

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 of the major federal programs. 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 its major federal programs for the year ended December 31, 2014.

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 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, President

Digitally signed by James G. Zupka, CPA, President
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Zupka, CPA, Inc., ou=Accounting,
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Date: 2015.07.29 16:38:43 -0400

James G. Zupka CPA, Inc.
Certified Public Accountants

July 27, 2015

**LICKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2014(iv)	Were there any significant deficiency conditions reported for major Federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list):	
	Housing Choice Voucher Program - CFDA #14.871	
	Shelter Plus Care Program - CFDA #14.238	
2014(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2014(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, 2014**

The audit report for the prior year ended December 31, 2013 contained no findings or citations.



Dave Yost • Auditor of State

LICKING COUNTY 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
NOVEMBER 5, 2015