

**LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO**

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED DECEMBER 31, 2003**



**Auditor of State
Betty Montgomery**

Board of Commissioners
Licking Metropolitan Housing Authority
85 W. Church St.
Newark, OH 43055

We have reviewed the Independent Auditor's Report of the Licking Metropolitan Housing Authority, Licking County, prepared by Haemmerle, Heximer, Harvey & Co., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 24, 2004

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Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

Independent Auditors' Report

We have audited the accompanying balance sheet of Licking Metropolitan Housing Authority, as of and for the year ended December 31, 2003 and the related statements of revenues, expenses and changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Licking Metropolitan Housing Authority as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles in the United States generally accepted.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2004, on our consideration of Licking Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Licking Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, the Schedule of Revenue and Expense by Program, the Schedule of Activity, and the Actual Modernization Cost Certification are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HAEMMERLE, HEXIMER, HARVEY & CO.

Columbus, Ohio

May 14, 2004

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

BALANCE SHEET

DECEMBER 31, 2003

ASSETS

Current assets:

Cash and cash equivalents – unrestricted	\$ 214,392
Cash and cash equivalents – restricted	443,037
Investments – unrestricted	92,103
Investments – restricted	165,083
Accounts receivable – other	59,395
Prepaid expenses	26,250
Inventory – net	<u>2,993</u>
Total current assets	1,003,253
Property and equipment – net	<u>1,378,055</u>
	<u>\$2,381,308</u>

LIABILITIES AND EQUITY

Current liabilities:

Tenant security deposits	\$ 8,120
Accounts payable	55,717
Accounts payable – HUD	2,269
Accounts payable – other governments	12,356
Accounts payable – other	55,750
Accrued wages and payroll taxes	5,782
Accrued compensated absences	<u>12,898</u>
Total current liabilities	152,892
Equity:	
Contributed capital	768,453
Retained earnings	<u>1,459,963</u>
Total equity	<u>2,228,416</u>
	<u>\$2,381,308</u>

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

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2003

Revenue:	
HUD grants	\$5,223,168
Rental income	216,075
Investment income – unrestricted	4,352
Investment income – restricted	6,417
Other	<u>1,064</u>
Total revenue	<u>5,451,076</u>
Expenses (except depreciation):	
Housing assistance payments	4,420,660
Administrative salaries	346,988
Other administrative expenses	256,707
Employee benefits	150,778
Utilities	89,268
Material and labor – maintenance	39,268
Contract services	16,326
Payment in lieu taxes	12,356
Tenant services	4,516
Other	<u>27,800</u>
Total expenses – except depreciation	<u>5,364,667</u>
Income before depreciation and operating transfers	86,409
Depreciation	169,246
Operating transfer into the Low Rent Program	24,000
Operating transfer out of the Capital Fund	<u>(24,000)</u>
Operating loss	<u>(82,837)</u>
Total equity – beginning of year, as previously reported	2,304,818
Prior period adjustment	<u>6,435</u>
Total equity – beginning of year, as adjusted	<u>2,311,253</u>
Total equity – end of year	<u>\$2,228,416</u>

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

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

Cash flows from operating activities:	
Net loss	\$ (82,837)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	169,246
Changes in operating assets that (increase) decrease cash flows:	
Accounts receivable – HUD	93,103
Accounts receivable – other	36,483
Prepaid expenses	(3,606)
Inventory	(1,753)
Changes in operating liabilities that increase (decrease) cash flows:	
Tenant security deposits	185
Accounts payable	26,610
Accounts payable – HUD	4,363
Accounts payable – other governments	361
Accounts payable – other	(33,296)
Accrued wages and payroll taxes	833
Accrued compensated absences	<u>2,674</u>
Total adjustments	<u>295,203</u>
Net cash provided by operating activities	<u>212,366</u>
Cash flows from investing activities:	
Purchases of property and equipment	(145,780)
Proceeds from sale of investments	74,828
Investment income	<u>(10,769)</u>
Net cash used in investing activities	<u>(81,721)</u>
Cash flows from financing activities	<u>-</u>
Increase in cash and cash equivalents	130,645
Cash and cash equivalents – beginning of year	<u>526,784</u>
Cash and cash equivalents – end of year	\$ <u>657,429</u>

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

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Basis of Accounting

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

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Use of Estimates

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

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

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

Restricted Cash and Investments

The Authority has designated \$600,000 of cash and investments to be used for future property acquisitions.

Investments

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

Tenant Receivables

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

Property and Equipment

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

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

Capitalization of Interest

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

NOTE 2 – Cash and Investments

Cash

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

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawal on demand, including Negotiable Order of Withdrawal (NOW) accounts, or in money market deposit accounts.

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments – (Continued)

Cash

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

- Category 1: \$300,000 was covered by FDIC
- Category 2: \$492,566 was covered by specific collateral pledged by the financial institution in the name of the Authority

Book balances for the period ending December 31, 2003 were as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Low Rent Housing - unrestricted	\$ 141,253	\$ 92,103	\$ 233,356
Low Rent Housing - restricted	-	8,120	8,120
Section 8 Rental Vouchers	72,684	-	72,684
Section 8 Shelter Plus Care	455	-	455
Section 8 Business Activities	<u>443,037</u>	<u>156,963</u>	<u>600,000</u>
	<u>\$ 657,429</u>	<u>\$ 257,186</u>	<u>\$ 914,615</u>

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Investments – (Continued)

Investments

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

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

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

NOTE 3 – Property and Equipment

A summary of property and equipment at December 31, 2003, is as follows:

Land	\$ 209,300
Buildings and building improvements	4,387,905
Furniture, equipment – dwelling	21,940
Furniture, equipment – administrative	<u>85,262</u>
	4,704,407
Less accumulated depreciation	<u>(3,326,352)</u>
Net property and equipment	<u>\$ 1,378,055</u>

(Continued)

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Equity

The composition of programs under the Authority changed during 2003. These changes resulted in a reclassification of equity between retained earnings and contributed capital of \$139,068. A prior period adjustment of \$6,435 was recorded in 2003 due to changes required by HUD for the 2002 financial statements.

In addition, the Board of Directors approved an equity transfer of \$593,583 from the Section 8 Program administrative fee reserve to the Business Activities Program. The transfer was made for future property acquisition.

NOTE 5 – Administrative Fee

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

A. Vouchers and Certificates – units per month x \$45.62/unit

NOTE 6 – Allocation of Costs

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

NOTE 7 – Retirement and Other Benefit Plans

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 2003 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer’s records. The Authority’s contribution to PERS for the years ending December 31, were as follows:

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LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Retirement and Other Benefit Plans – (Continued)

	<u>Contribution</u>	<u>Percent</u>
2003	\$ 47,004	13.55
2002	\$ 43,769	13.55
2001	\$ 45,222	13.55
2000	\$ 30,164	13.55
1999	\$ 33,252	13.55

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

PERS of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio revised Code provides statutory authority for employee and employer contributions. The 2003 employer contribution rate for state employers was 13.55% of covered payroll: 4.3% was the portion that was used to fund health care for the year.

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

NOTE 8 – Compensated Absences

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

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

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

At December 31, 2003, \$12,898 was accrued by the Authority for unused vacation time.

NOTE 9 – Insurance

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

NOTE 10 – Contingencies

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2003, the Authority was involved in no such matters which would have a material effect on the financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Expenditures for the Year Ended</u>
U.S. Department of Housing And Urban Development				
Direct Programs:				
Public and Indian Housing Program (Low Rent)	14.850(a)	C-5013	\$ 120,417	\$ 120,417
Public Housing Capital Fund Program	14.872	C-5013	173,881	173,881
Section 8 Tenant Based Cluster:				
Section 8 Rental Voucher	14.871	C-5044	4,555,422	4,555,422
Section 8 Project Based:				
Section 8 New Construction	14.182	C-5044	238,541	238,541
Shelter Plus Care Program	14.238	C-5044	<u>134,907</u>	<u>134,907</u>
Total Federal Assistance			<u>\$5,223,168</u>	<u>\$5,223,168</u>

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

See independent auditors' report.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF ACTIVITY

DECEMBER 31, 2003

The Authority had 1,092 units under management, as follows:

<u>Management</u>	<u>Units</u>
Public and Indian Housing Program	97
Section 8 Rental Vouchers Program	995
Section 8 New Construction Program	<u>-</u>
Total	<u>1,092</u>

Report on prior year audit findings – there were no prior audit findings.

See independent auditors' report.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

ACTUAL MODERNIZATION COST CERTIFICATION

DECEMBER 31, 2003

1. The actual modernization costs are as follows:

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

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

See independent auditors' report.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

We have audited the financial statements of Licking Metropolitan Housing Authority, as of and for the year ended December 31, 2003 and have issued our report thereon dated May 14, 2004. We conducted our audit in accordance with auditing standards in the United States generally accepted and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Licking Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

HAEMMERLE, HEXIMER, HARVEY & CO.

Columbus, Ohio

May 14, 2004

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

Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

Compliance

We have audited the compliance of Licking Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. Licking Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on Licking Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the provision of the *Public and Indian Housing Compliance Supplement*, PIH Notice 97-30. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Licking Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Licking Metropolitan Housing Authority's compliance with those requirements.

In our opinion Licking Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal controls that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relative low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

HAEMMERLE, HEXIMER, HARVEY & CO.

Columbus, Ohio

May 14, 2004

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2003

PART I – SUMMARY OF AUDITOR'S RESULTS

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

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

1. None

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

1. None

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO
FDS SCHEDULE SUBMITTED TO HUD
SCHEDULE OF ASSETS AND LIABILITIES BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2003

	Low rent Program	Capital Fund	Shelter Plus Care Program	New Construction Program	Rental Voucher Program	Business Activities Program		Total
ASSETS								
Cash - unrestricted	\$ 141,253	\$ -	\$ 455	\$ -	\$ 72,684	\$ -	\$ -	\$ 214,392
Cash - restricted	-	-	-	-	-	443,037	-	443,037
Investments - unrestricted	92,103	-	-	-	-	-	-	92,103
Investments - restricted	8,120	-	-	-	-	156,963	-	165,083
Accounts receivable - HUD	-	-	-	-	-	-	-	-
Accounts receivable - other	1,096	-	-	111	2,438	-	-	3,645
Interprogram due from	-	-	-	-	55,750	-	-	55,750
Prepaid expenses	5,308	-	-	-	20,942	-	-	26,250
Inventory - net	1,800	-	-	-	1,193	-	-	2,993
Total Current Assets	<u>249,680</u>	<u>-</u>	<u>455</u>	<u>111</u>	<u>153,007</u>	<u>600,000</u>	<u>-</u>	<u>1,003,253</u>
Property and equipment - net	1,053,673	309,431	-	-	14,951	-	-	1,378,055
Total Assets	<u>\$ 1,303,353</u>	<u>\$ 309,431</u>	<u>\$ 455</u>	<u>\$ 111</u>	<u>\$ 167,958</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 2,381,308</u>
LIABILITIES								
Tenant security deposits	\$ 8,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,120
Accounts payable	4,689	-	-	-	50,573	-	-	55,262
Accounts payable - HUD	-	-	-	-	2,269	-	-	2,269
Accounts payable - other governments	12,356	-	-	-	-	-	-	12,356
Accounts payable - other	-	-	455	-	-	-	-	455
Interprogram due to	55,639	-	-	111	-	-	-	55,750
Accrued wages and payroll taxes	-	-	-	-	5,782	-	-	5,782
Accrued compensated absences	2,580	-	-	-	10,318	-	-	12,898
Total Liabilities	<u>83,384</u>	<u>-</u>	<u>455</u>	<u>111</u>	<u>68,942</u>	<u>-</u>	<u>-</u>	<u>152,892</u>
EQUITY								
Contributed capital	768,453	-	-	-	-	-	-	768,453
Retained earnings	451,516	309,431	-	-	99,016	600,000	-	1,459,963
Total Equity	<u>1,219,969</u>	<u>309,431</u>	<u>-</u>	<u>-</u>	<u>99,016</u>	<u>600,000</u>	<u>0</u>	<u>2,228,416</u>
Total Liabilities and Equity	<u>\$ 1,303,353</u>	<u>\$ 309,431</u>	<u>\$ 455</u>	<u>\$ 111</u>	<u>\$ 167,958</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 2,381,308</u>

See Independent Auditor's Report

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO
FDS SCHEDULE SUBMITTED TO HUD
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2003

	Low rent Program	Capital Fund	Shelter Plus Care Program	New Construction Program	Rental Voucher Program	Business Activities Program		Total
REVENUE								
HUD Grants	\$ 120,417	\$ 173,881	\$ 134,907	\$ 238,541	\$ 4,555,422	\$ -	\$ -	\$ 5,223,168
Rental Income	216,075	-	-	-	-	-	-	216,075
Investment Income-Unrestricted	3,352	-	-	-	1,000	-	-	4,352
Investment Income - Restricted						6,417		6,417
Other Revenue	100	-	-	-	964	-	-	1,064
Total Revenue	339,944	173,881	134,907	238,541	4,557,386	6,417	-	5,451,076
EXPENSES								
Housing Assistance Payments	-	-	122,811	227,360	4,070,489	-	-	4,420,660
Administrative Salaries	101,546	-	10,000	5,500	229,942	-	-	346,988
Other Administrative Expense	41,155	7,567	-	4,161	203,824	-	-	256,707
Employee Benefits	43,967	-	2,096	1,520	103,195	-	-	150,778
Utilities	89,268	-	-	-	-	-	-	89,268
Contract Services	39,268	-	-	-	-	-	-	39,268
Material and Labor-Maintenance	11,239	-	-	-	5,087	-	-	16,326
Payments in Lieu of Taxes	12,356	-	-	-	-	-	-	12,356
Bad Debt - Tenant Rents	-	-	-	-	-	-	-	-
Tenant Services	4,516	-	-	-	-	-	-	4,516
General Expenses	12,615	-	-	-	11,528	-	-	24,143
Total Expenses	355,930	7,567	134,907	238,541	4,624,065	-	-	5,361,010
Operating Income (Loss) before Depreciation & Other Costs						6,417		90,066
Depreciation	(15,986)	166,314	-	-	(66,679)	-	-	169,246
Other costs	150,450	12,430	-	-	6,366	-	-	3,657
Transfers in (out)	3,632	(24,000)	-	-	25	593,583	-	-
	24,000				(593,583)			
Operating Income (Loss)	\$ (146,068)	\$ 129,884	\$ -	\$ -	\$ (666,653)	\$ 600,000	\$ -	\$ (82,837)

See Independent Auditor's Report



**Auditor of State
Betty Montgomery**

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LICKING METROPOLITAN HOUSING AUTHORITY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2004**