LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

Board of Commissioners
Licking Metropolitan Housing Authority
144 West Main Street
Newark Ohio 43055

We have reviewed the *Independent Auditors' Report* of the Licking Metropolitan Housing Authority, Licking County, prepared by HHH CPA Group, LLC, for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 7, 2007

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Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

Independent Auditors' Report

We have audited the accompanying statement of net assets of Licking Metropolitan Housing Authority, as of and for the year ended December 31, 2006 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Licking Metropolitan Housing Authority as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles in the United States generally accepted.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 2007, on our consideration of Licking Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Licking Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations,* the Schedule of Revenue and Expense by Program, and the Schedule of Activity 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.

HHH CPA Group, LLC

HHH CPA GROUP, LLC.

Columbus, Ohio

May 18, 2007

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LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006
Unaudited

Licking Metropolitan Housing Authority's ("LMHA's") *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 implemented GASB 34 in 2004. Since the *M D & A* is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements which follow.

FINANCIAL HIGHLIGHTS

- **Total revenues:** **FYE 12/31/06: $6,185,904, increase of $396,899 in 2006**
  FYE 12/31/05: $5,789,005, decrease of $24,077 in 2005
  FYE 12/31/04: $5,813,082 increase of $337,248 in 2004
- **Total expenses:** **FYE 12/31/06: $5,743,974 decrease of $273,382 in 2006**
  FYE 12/31/05: $6,017,356 increase of $63,257 in 2005
  FYE 12/31/04: $5,954,099 increase of $420,192 in 2004

USING THIS ANNUAL REPORT

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

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

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for LMHA.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for LMHA. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a discussion regarding 2006 Cash Flows is included.

LMHA programs that are consolidated into a single enterprise fund are as follows:

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, LMHA rents up to 100 units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for LMHA's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the authority's units.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, LMHA subsidizes rents to independent landlords that own the property. 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 structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and LMHA subsidizes the balance.

Other Business Activity – LMHA purchased a building in May 2005 to move Section 8 and Administrative Staff from LMHA's Public Housing, Terrace Gardens Apartment Building. Major improvements were made to the property in 2006 to meet current Newark City Building Codes.

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

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

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

TABLE 1
STATEMENT OF NET ASSETS

			2006	2005	2004	2003
Current & Other Assets			$624,129	$489,173	$1,046,951	$1,003,253
Capital Assets			$1,907,219	$1,590,610	$1,301,082	$1,378,055
	TOTAL ASSETS		$2,531,348	$2,079,783	$2,348,033	$2,381,308
Current & Other Liabilities			$116,734	$202,817	$235,882	$152,832
Long-term Liabilities				-	-	-
	TOTAL LIABILITIES		$116,734	$202,817	$235,882	$152,832
Net Assets:						
Invested in Capital Assets, net of related debts			$1,907,219	$1,590,610	$1,301,082	$1,378,055
Reserved for capital projects			$478,714	$248,965	$598,628	-
Unrestricted			$28,681	$37,391	$212,441	$850,361
	TOTAL NET ASSETS		$2,414,614	$1,876,966	$2,112,151	$2,228,416

NOTE: For more detailed information, see the *Statement of Net Assets, from Dec. 31, 2006 Audit.*

Major factors affecting the *Statement of Net Assets:* In 2005, a decrease in total net assets of $235,185 (from $2,112,151 to $1,876,966) was reflected. However, in 2006, an increase of $537,648 from the 2005 total was recorded. LMHA administers two HUD-funded housing programs. The Section-8 Voucher program provides rental assistance to over 1,000 families in Licking County. Per new HUD regulations, all program equity must be classified as Housing Assistance Payment (HAP) Equity or Administrative Fee Equity. LMHA also received a settlement from HUD for HAP reserve funds held by HUD on behalf LMHA. These funds were entirely allocated to the HAP Equity Account. Corresponding cash has been designated as restricted.

LMHA also completed the purchase and renovation of an administrative office in 2006. This decreased cash and increased capital assets.

See Table 2, next page

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

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

		2006	2005	2004 restated	2003 restated
REVENUES					
Tenant Revenue Rent & other		$207,689	$207,051	$205,192	$217,139
Operating subsidies & Grants		$5,901,151	$5,569,381	$5,597,163	$5,105,606
Capital Grants			-	-	$142,314
*3rd party Roof Grant		$61,409			
Investment Income		$10,523	$10,475	$10,000	$10,769
Other revenue		$5,132	$2,098	$721	-
	TOTAL REVENUE	$6,185,904	$5,789,005	$5,813,076	$5,475,828
EXPENSES					
Administrative	(includes contract services)	$778,228	$863,085	$764,623	$754,473
Tenant Services		$2,015	$4,990	$3,396	$4,516
Utilities		$101,701	$101,402	$88,276	$89,268
Maintenance		$10,642	$13,776	$62,483	$55,594
General & PILOT		$31,900	$32,764	$41,344	$36,499
Housing Assistance Payments		$4,663,641	$4,922,227	$4,907,843	$4,420,660
Depreciation		$103,460	$80,395	$79,763	$169,246
Miscellaneous		$1,339	$(1283)	$6,371	$3,657
Loss from Disposal of Asset- Roof Tear Off		$51,048			
	TOTAL EXPENSES	$5,743,974	$6,017,356	$5,954,099	$5,533,913
Income or (net operating loss)		$441,930	$(228,351)	$(141,017)	$(58,085)
Equity, beginning, Restated		$1,876,966	$2,105,317	$2,253,168	$2,311,253
Prior Period Adjustments		$95,718			
	EQUITY, ENDING	$2,414,614	$1,876,966	$2,112,151	$2,253,168

Major factors affecting the *Statement of Revenue, Expenses, and Changes in Net Assets*: LMHA decreased operating expenses in both housing programs in 2006. This resulted in a large increase in net income. Administrative income

and operating subsidy payments increased slightly in 2006, but fell short of projected totals due to budget cuts at the federal level. LMHA did receive a non-HUD Grant (3rd Party) of $61,409 for capital improvements to their low rent public housing building. They also received a settlement of $95,718 from HUD for reserve HAP funds held by HUD on behalf of LMHA. HUD eliminated all reserve funds in 2006 and either provided funds to housing authorities or required housing authorities to return HAP funds that had been overpaid to the authority.

DISCUSSION CONCERNING CASH FLOWS:

LMHA's cash position was enhanced by the previously discussed $61,409 grant and the $95,718 HUD settlement. LMHA also increased their cash position by under spending their allocation of HAP funds for 2006. LMHA staff had proceeded cautiously with the allocation of HAP funds in early 2006 due to overspending this account in 2005. Although it increased our cash position during the first two quarters of 2006, the Section-8 Housing Voucher Program was under utilized. In July, it became apparent that LMHA needed to increase the allocation of funds or risk losing future allocations from HUD. Management and staff worked diligently to rapidly increase program utilization. They were rewarded with a commendation from the local HUD Program Director when they achieved the HUD minimum goal of expending 95% of the authority's 2006 allocation.

Net cash decreased due to two major capital projects. LMHA completed the renovation of an office building in 2006 and moved into the offices in May. Terrace Gardens Apartments, LMHA's sole public housing development, benefited from several capital improvement projects including a complete roof replacement. Since the previous roof was not fully depreciated, this resulted in a $51,048 loss on a disposal of an asset. Other factors affecting cash flow was an overpayment by HUD of $39,770 for a Section-8 Program Fund and deferred revenue of $90,239 from the previous year.

SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM

The Capital Fund, Shelter-Plus Care, and Section-8 New Construction Program are basically pass-through programs that should not create net incomes or losses. The Business Activity Program is the owner of the Administration Building and the development arm of LMHA. However, there are no current development projects. Both the Low Rent and (Choice) Voucher Program improved their operating income positions from 2005.

CAPITAL ASSETS

As of 2006 year end, the Authority had $1,907,209 invested in a variety of capital assets as reflected in the following schedule which represents a net increase (addition, deductions and depreciation) of $316,609 from the end of last year.

See Table 3, Next Page.

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

		2006	2005	2004 restated	2003 restated
Land & land rights		$284,300	$284,300	$209,300	$209,300
Buildings		$5,061,776	$4,665,358	$4,363,674	$4,360,884
Equipment – Administrative	Admin & Dwelling combined in 2005 & 2006 by auditors	$118,323	$117,562	$104,490	$104,490
Equipment – dwellings				$2,712	$2,712
Accumulated depreciation		$(3,557,180)	$(3,476,610)	$(3,406,115)	$(3,326,352)
Leasehold improvements			-	$27,021	$27,021
	TOTAL	$1,907,219	$1,590,610	$1,301,082	$1,378,055

TABLE 4
CHANGE IN CAPITAL ASSETS

The following reconciliation summarizes the change in Capital Assets for 2006.

	2006	2005
Beginning Balance	$1,590,610	$1,301,082
Additions	$397,179	*$360,023
Depreciation	$(80,570)	$(70,495)
ENDING BALANCE	$1,907,219	$1,590,610

***NOTE: $75,000 is included in the total for "additions" in 2005 for land for building purchase. In last year's report and audit, this land was combined with the building total and was misclassified in 2005. An audit adjustment was made by the Auditor in 2006.**

LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2006
Unaudited

MANAGEMENT NOTES:

In early 2006, LMHA began the transition from using external accounting services to providing much of these accounting services internally. LMHA also transitioned from relying on manual accounting practices used by the previous accounting firm to using accounting software owned by LMHA, designed specifically to integrate with their program software. This allows for easier, more accurate financial reporting and analysis.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- **Federal funding of the Department of Housing and Urban Development**
- **Local labor supply and demand, which can affect salary and wage rates**
- **Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income**
- **Inflationary pressure on utility rates, supplies and other costs**

IN CONCLUSION

In Spring of 2006, a Business Manager was hired, who began closely monitoring the expenditures of the Low-Rent Housing Program as well as that of the Section-8 Voucher Program. All service-related contracts were analyzed and cost reductions were implemented. New, internal procedures were established so that the operating software linked directly with the accounting software. Cash accounts were brought up to date and reconciled through the new software, so that profit and loss statements and registers were accurate and readily available. Budgets were incorporated into the monthly reports, so that an assessment could be made of budget vs. actual expenditures. With these changes, LMHA now has the reporting tools necessary to better understand its financial position. LMHA decreased operating expenses in both housing programs in 2006.

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.

Respectfully submitted,

Cynthia Snelling
Business Manager

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

ASSETS	
Current assets:	
Cash and cash equivalents – unrestricted	$ 134,432
Cash and cash equivalents – restricted	478,714
Accounts receivable – other, net of allowance	6, 217
Prepaid expenses	3,230
Inventory - net of allowance	1,536
Total current assets	624,129
Capital assets:	
Land	284,300
Other capital assets – net	1,622,919
Total capital assets	1,907,219
Total assets	2,531,348
LIABILITIES AND EQUITY	
Current liabilities:	
Tenant security deposits	9,854
Accounts payable – trade	35,475
Accounts payable – HUD	39,770
Accounts payable – other governments	10,895
Accrued wages and payroll taxes	6,956
Accrued compensated absences	13,784
Total current liabilities	116,734
Equity:	
Invested in capital assets	1,907,219
Designated	478,714
Undesignated	28,681
Total net assets	$2,414,614

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

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2006

Revenue:	
HUD grants	$5,901,151
Rental income	207,689
Other government grants	61,409
Investment income – unrestricted	10,523
Other	5,132
Total revenue	6,185,904
Expenses (except depreciation):	
Housing assistance payments	4,663,641
Administrative salaries	370,939
Employee benefits	179,065
Other administrative expenses	147,523
Utilities	101,701
Contract services	80,701
PILOT	10,895
Material and labor – maintenance	10,642
Tenant services	2,015
Other	21,005
Total expenses – except depreciation	5,588,127
Income before depreciation and operating transfers	597,777
Other expenses and operating transfers:	
Depreciation expense	(103,460)
Other expense	(1,339)
Loss from disposal of asset	(51,048)
Operating transfer into the Low Rent Program	317,260
Operating transfer out of the Capital Fund	(317,260)
Total other expenses and operating transfers	(155,847)
Net income	441,930
Total net assets – beginning of year, as previously reported	1,876,966
Prior period adjustment	95,718
Total net assets – beginning of year, as adjusted	1,972,684
Total net assets – end of year	$2,414,614

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, 2006

Cash flows from operating activities:	
Cash received from tenants	$ 203,439
Cash received from HUD	5,907,925
Cash received from other governments	61,409
Cash payments for housing assistance payments	(4,700,200)
Cash payments for administrative expenses	(697,257)
Cash payments for other operating expenses	(183,144)
Cash payments to HUD and other governments	(10,565)
Net cash provided by operating activities	581,607
Cash flows from financing activities:	
Purchases of property and equipment	(471,117)
Net cash used in financing activities	(471,117)
Cash flows from investing activities:	
Investment income	(10,523)
Transfer of investments to cash	114,931
Net cash provided by investing activities	104,408
Cash received related to prior period adjustment	95,718
Increase in cash and cash equivalents	310,616
Cash and cash equivalents – beginning of year	302,530
Cash and cash equivalents – end of year	$ 613,146

(Continued)

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

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

STATEMENT OF CASH FLOWS – (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2006

Cash flows from operating activities:	
Net income	$ 441,930
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	103,460
Loss on disposal of asset	51,048
Changes in operating assets that (increase) decrease cash flows:	
Accounts receivable – HUD	42,928
Accounts receivable – other	(4,595)
Prepaid expenses	32,920
Changes in operating liabilities that increase (decrease) cash flows:	
Accounts payable - trade	(36,559)
Accounts payable – HUD	39,770
Accounts payable – other governments	330
Tenant security deposits	344
Accrued wages and payroll taxes	270
Deferred revenue	(90,239)
Total adjustments	139,677
Net cash provided by operating activities	$ 581,607

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

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Basis of Accounting

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

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

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

(Continued)

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

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

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

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

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

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

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

(Continued)

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

Use of Estimates

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

Cash and Cash Equivalents

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

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. The allowance account was $75 as of December 31, 2006.

Property and Equipment

Property and equipment are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. The Authority's capitalization threshold is $500. Depreciation is recorded on the straight-line method under the following lives:

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

Due From/To Other Programs

Inter-program receivables and payables as of December 31, 2006 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

(Continued)

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

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.

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.

(Continued)

NOTE 2 – Cash and Investments – (Continued)

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

Category 1: $142,608 was covered by FDIC
Category 2: $470,538 was covered by specific collateral pledged by the financial institution in the name of the Authority

Book balances for the period ending December 31, 2006 were as follows:

	Cash	Investments	Total
Unrestricted Low Rent Housing	$ 134,432	$ -	$ 134,385
Restricted:			
Low Rent Housing	-	-	-
Section 8 Business Activities	478,714	-	478,714
Total Restricted	478,714	-	478,714
	$ 613,146	$ -	$ 613,146

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 confirmation of transfer from the custodian.

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

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

(Continued)

NOTE 2 – Cash and Investments – (Continued)

Interest rate risk: The Authority does not have a policy limiting investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit risk: The Authority does not place a limit on the amount that may be invested in any one issuer.

Custodial credit risk: For an investment, the custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. In order to mitigate custodial risk, the Authority purchases their investments only through an approved broker/dealer or institution.

NOTE 3 – Capital Assets

Following is a summary of capital assets:

	Balance 12/31/05	New Additions/ Deletions	Balance 12/31/06
Capital assets, not being depreciated			
Land	$ 284,300	$ -	$ 284,300
Capital assets, being depreciated			
Buildings and improvements	$ 4,665,358	$ 396,418	$ 5,061,776
Furniture and equipment	117,562	761	118,323
	4,782,920	397,179	5,180,099
Less accumulated depreciation	(3,476,610)	(80,570)	(3,557,180)
Total capital assets, net, being depreciated	$ 1,381,310	$ 241,609	$ 1,622,919

NOTE 4 – Equity

A prior period adjustment of $95,718 was recorded in 2006 due to changes in housing assistance payments for the 2004 financial statements.

(Continued)

NOTE 5 – Allocation of Costs

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

NOTE 6 – Retirement and Other Benefit Plans

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined 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 2006 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:

	Contribution	Percent
2006	$ 50,806	13.55
2005	$ 46,787	13.55
2004	$ 46,029	13.55
2003	$ 47,004	13.55
2002	$ 43,769	13.55

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

(Continued)

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

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 2006 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 of 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, 2006, $13,784 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, 2006, the Authority was involved in no such matters which would have a material effect on the financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO
FDS SCHEDULE SUBMITTED TO HUD
SCHEDULE OF ASSETS AND LIABILITIES BY PROGRAM
DECEMBER 31, 2006

	Low rent Program	Capital Fund	Shelter Plus Care Program	Section 8 Program	Choice Voucher Program	Business Activities Program	Total
ASSETS							
Cash - unrestricted	$ 104,849	$ -	$ -	$ -	$ -	$ 29,583	$ 134,432
Cash - restricted	34,154	-	-	39,770	404,790	-	478,714
Investments - unrestricted	-	-	-	-	-	-	-
Investments - restricted	-	-	-	-	-	-	-
Accounts receivable - HUD	-	-	-	-	-	-	-
Accounts receivable - other	5,498	-	-	-	719	-	6,217
Interprogram due from	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	3,230	-	3,230
Inventory - net	706	-	-	-	830	-	1,536
Total Current Assets	145,207	-	-	39,770	409,569	29,583	624,129
Property and equipment - net	1,343,221	-	-	-	16,043	547,955	1,907,219
Total Assets	$ 1,488,428	$ -	$ -	$ 39,770	$ 425,612	$ 577,538	$ 2,531,348
LIABILITIES							
Tenant security deposits	$ 9,854	$ -	$ -	$ -	$ -	$ -	$ 9,854
Accounts payable	31,192	-	-	-	4,283	-	35,475
Accounts payable - HUD	-	-	-	39,770	-	-	39,770
Accounts payable - other governments	10,895	-	-	-	-	-	10,895
Accounts payable - other	-	-	-	-	-	-	-
Interprogram due to	-	-	-	-	-	-	-
Deferred Revenues	-	-	-	-	-	-	-
Accrued wages and payroll taxes	-	-	-	-	6,956	-	6,956
Accrued compensated absences	2,757	-	-	-	11,027	-	13,784
Total Liabilities	54,698	-	-	39,770	22,266	-	116,734
EQUITY							
Contributed capital	-	-	-	-	-	-	-
Retained earnings	1,433,730	-	-	-	403,346	577,538	2,414,614
Total Equity	1,433,730	-	-	-	403,346	577,538	2,414,614
Total Liabilities and Equity	$ 1,488,428	$ -	$ -	$ 39,770	$ 425,612	$ 577,538	$ 2,531,348

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, 2006

	Low rent Program	Capital Fund	Shelter Plus Care Program	Section 8 Program	Choice Voucher Program	Business Activities Program	Total
REVENUE							
HUD Grants	$ 167,847	$ 240,023	$ 144,051	$ 325,422	$ 5,023,808	$ -	$ 5,901,151
Rental Income	207,689	-	-	-	-	-	207,689
Other Government Grants	-	61,409	-	-	-	-	61,409
Investment Income-Unrestricted	10,523	-	-	-	-	-	10,523
Other Revenue	-	-	-	-	5,132	-	5,132
Total Revenue	386,059	301,432	144,051	325,422	5,028,940	-	6,185,904
EXPENSES							
Housing Assistance Payments	-	-	134,187	312,502	4,216,952	-	4,663,641
Administrative Salaries	107,076	-	7,045	6,000	245,821	4,997	370,939
Employee Benefits	63,141	-	2,819	2,500	108,607	1,998	179,065
Other Administrative Expense	48,415	-	-	3,920	95,188	-	147,523
Utilities	74,834	-	-	-	26,867	-	101,701
Contract Services	60,623	-	-	500	19,578	-	80,701
Payments in Lieu of Taxes	10,895	-	-	-	-	-	10,895
Material and Labor-Maintenance	8,800	-	-	-	1,842	-	10,642
Tenant Services	2,015	-	-	-	-	-	2,015
General Expenses	14,849	-	-	-	6,156	-	21,005
Total Expenses	390,648	-	144,051	325,422	4,721,011	6,995	5,588,127
Operating Income (Loss) before Depreciation & Other Costs	(4,589)	301,432	-	-	307,929	(6,995)	597,777
Depreciation	(78,439)	-	-	-	(6,869)	(18,152)	(103,460)
Other costs	(1,339)	-	-	-	-	-	(1,339)
Loss on Disposal of Asset	(51,048)	-	-	-	-	-	(51,048)
Transfers in (out)	317,260	(317,260)	-	-	-	-	-
Operating Income (Loss)	$ 181,845	$ (15,828)	$ -	$ -	$ 301,060	$ (25,147)	$ 441,930

See Independent Auditor's Report

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/Program Title	Federal CFDA Number	Contract Number	Grant Amount Received	Expenditures for the Year Ended
U.S. Department of Housing And Urban Development				
Direct Programs:				
Public and Indian Housing Program (Low Rent)	14.850(a)	C-5013	$ 167,847	$ 167,847
Public Housing Capital Fund Program	14.872	C-5013	240,023	240,023
Section 8 Tenant Based Cluster:				
Section 8 Rental Voucher	14.871	C-5044	5,023,808	4,727,880
Section 8 Project Based:				
Section 8 New Construction	14.182	C-5044	325,422	325,422
Shelter Plus Care Program	14.238	C-5044	144,051	144,051
Total Federal Assistance			$5,901,151	$5,605,223

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

See independent auditors' report.

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

Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

We have audited the financial statements of Licking Metropolitan Housing Authority, as of and for the year ended December 31, 2006 and have issued our report thereon dated May 18, 2007. We conducted our audit in accordance with auditing standards in the United States generally accepted and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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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.

HHH CPA Group, LLC

HHH CPA GROUP, LLC.

Columbus, Ohio

May 18, 2007

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

Board of Commissioners
Licking Metropolitan Housing Authority
Newark, Ohio

Compliance

We have audited the compliance of Licking Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. 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, 2006.

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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.

HHH CPA Grp. LLC

HHH CPA GROUP, LLC.

Columbus, Ohio

May 18, 2007

LICKING METROPOLITAN HOUSING AUTHORITY
NEWARK, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2006

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 were 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 programs are:
   Cluster – Section 8 Programs
   New Construction – 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

Mary Taylor, CPA
Auditor of State

LICKING METROPOLITAN HOUSING AUTHORITY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 21, 2007